BUDGET REFORM ACT OF 1982

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2629

TO PROVIDE FOR A 2-YEAR BUDGET PROCESS, AND FOR OTHER PURPOSES

AUGUST 19, 1982

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

12-696 O WASHINGTON : 1983

S401-32

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BUDGET REFORM ACT OF 1982

THURSDAY, AUGUST 19, 1982

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met at 10 a.m., in room 3302, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Present: Senators Roth and Pryor.

OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. The committee will please be in order.

As you know we are reconvening the Governmental Affairs Committee today to hear testimony on S. 2629, the Budget Reform Act of 1982. This legislation is based principally on the earlier hearings at which at least our first witness also testified.

Let me start out by saying that I view the budget process as both a success and a failure. I consider it a success because I think it has forced Congress to consider overall spending and the impact of the Federal budget on the economy. I think it is a success because it brought about many needed reforms and restraints that I don't think, frankly, would have been possible without these procedures.

On the other hand, I can argue that it is a failure, a failure because Congress has consistently failed to meet most of the deadlines, a failure because I think Congress has become mesmerized with the budget process to the detriment of other responsibilities and considerations. It spends so much time on budget matters that we really fail to adequately provide the kind of oversight that I think is necessary. We have failed to have the kind of debates that are essential on national issues such as foreign policy and defense.

The purpose of this bill is to simplify the process so that less time is spent on budget matters, as important as they are, and to provide more certainty in these budget matters. I think that this certainty is particularly important to the people back home. I do not consider this bill to necessarily be the final version of this legislation, but rather as one step toward improving these procedures.

My legislation institutes a 2-year budget cycle. It would allow a new President and a new Congress to put their policies into place in the first year of their respective terms. Early in the year the Congress would agree to the single budget resolution which would prescribe spending and revenue limits for a 2-year period beginning in the next January. The budget would take effect with the 2-year fiscal period beginning the next January. If economic conditions

changed during the 2-year period it would be possible although admittedly difficult, to revise the budget resolution totals.

Within the framework of this budget the Congress will have considered omnibus appropriations bill to fund the 2-year bill. This bill would combine the 13 appropriations passed each year.

My legislation would also bring all spending of Federal entities into the unified budget. The off-budget spending for the Federal Government in the current year is projected to be over $18 billion. I believe it is essential that it be included as part of the unified budget.

The revisions contained in this legislation would remove much of the uncertainty of constantly changing budget decisions. It would help eliminate the disruption caused by year-to-year funding. I believe it would help Congress chart a firm clear course for the Nation. The work with the Congress would be more logically organized with the specific and extended period of time set aside for necessary oversight and authorization activity.

This committee shares jurisdiction with the Senate Budget Committee over the budget process. I understand they intend to hold hearings in September. Senator Domenici and I have discussed the need to work together on the changes in the budget process and I know we continue to build a close relationship with the Budget Committee in this area. We are convening these hearings today hoping to learn how this legislation might be strengthened. I believe there is not a moment to lose in installing the necessary reform for the process.

The size of the projected deficits over the next several years assures the Congress will devote enormous time and resources to the budget process. So at this time it is my pleasure to welcome you, Dr. Rivlin. When you appeared here last year you gave us some extraordinarily helpful testimony. We look forward to your remarks today.

TESTIMONY OF ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Ms. RIVLIN. Thank you very much, Mr. Chairman. I am delighted to be here. I have a prepared statement which is a little on the long side which I would be happy to submit for the record and summarize as briefly as I can.

I believe I agree with your general analysis of the strengths and weaknesses of the budget process. And with minor reservations, it seems to me that S. 2629 moves strongly in the right direction. It would lead to a stronger and more effective budget control, and it would greatly improve the functioning and effectiveness of the Congress.

Let me begin by just reminding you of the seriousness of the budgetary problem that the Congress faces over the next several years for which you need an extraordinarily strong budget process. As the Congress came back to deal with the budget this year, it faced a new problem—a problem of escalating future deficits. If the Congress did not do anything to change tax and spending legislation, it was facing deficits that would grow from around 2 percent

of the gross national product (GNP) to around 5 percent of the GNP by 1985. That was a frightening and undesirable prospect.

The Congress has acted strongly. But even if all of the legislation contemplated in the first concurrent resolution on the budget is passed—including the tax bill being debated today—and even if the management savings that are contemplated in the budget resolution all occur, and even if the economy improves over the next couple of years, in our judgment the Congress is still facing deficits of the order of $140 to $160 billion in each fiscal year from in 1983 through 1985. And to this you have to add about $20 billion for off-budget spending.

Thus, getting to a balanced budget in that period would mean finding roughly $170 billion in reduced spending or increased revenues or in some combination of the two. Clearly, that can't be done overnight without major disruptions in the economy. Equally clearly, it cannot be done if the whole budget is not considered, including defense, entitlement programs, and restructuring of the tax system. Also very clearly, it cannot be done unless there is a strong and effective budget process with strong discipline and time to consider these major and serious decisions.

Fortunately, we have had a good deal of experience with the budget process over the last several years. As you remember, the original notion of the Budget Reform Act of 1974 was that the budget process was to be an iterative process with target setting at the beginning, then moving on to the specifics of appropriation and tax legislation, and then wrapping it all up together at the end in a second and binding concurrent resolution with reconciliation serving to reconcile the pieces we desired with the whole. Originally, budget resolutions applied only to the next budget year, and only to direct spending, not to the credit activities of the Federal Government except those that appear in the unified budget.

Several lessons have come from the experience of the last 7 years. One is that there is simply not enough time for this iterative process to take place between January and September. The important decisions must be made in the first concurrent resolution or they don't get made at all. It is also important to address ongoing tax and spending programs—especially entitlements, which make up a major art of Federal spending. It is for that reason that the first resolution has become the most imporant one, and the reconciliation process has been moved to the first resolution. So that it is possible to deal with ongoing spending programs, especially entitlements. One of the lessons I think is that reconciliation is complicated. It takes time, but it is also necessary. And if it is to be done, it has to be done early in the budget process.

Another lesson is that one necessarily has to think of the budget in a multiyear context. Much spending is already in place, and it is too late to change it quickly for the upcoming budget year. This is especially so if the Congress is to move from the high prospective deficits toward a balanced budget. It is necessary to have a strong multiyear plan to do that, and indeed, the budget process has evolved from a 1-year plan into a 3-year plan.

Another lesson is that the credit activites of the Federal Government are very large and very important, and that they must be included in any budget control.

Even with the improvements that have occurred over the last several years—as you noted—deadlines still get missed, and it seems clear that it is not possible to get all of this work done in a single session and do it well. Authorizations are often late, appropriations have been increasingly late, and it has become normal for the Government to live on the continuing resolution. It seems as though the budget activities never end, that one budget is hardly finished before the next one has to begin.

There has been a frenzy of congressional activity and a great deal of very hard work, but still not everything gets done in the time allotted.

This is difficult not only for the Congress. It also creates waste and uncertainty in the Executive agencies, which have to prepare their next budget before the current one has been passed. High-level officials of the agencies seem to spend full time testifying before authorizing committees, appropriation subcommittees, and budget committees, and they have very little time left to run their agencies.

Similarly State and local governments have a hard time planning because they simply don't have enough lead time before changes in the Federal budget.

The Budget Reform Act of 1982, S. 2629, would move strongly toward correcting these problems. It is based on the premise that if we went through this difficult process half as often, we might do a better job, and we might have time for other things. The bill, as you know, starts the fiscal period on January 1 of even years, devotes the first session of Congress—the odd year—to budget decisions and the second—even year—to oversight, passes a single binding budget resolution followed within 60 days by reconciliation, requires a two-thirds vote to change that resolution, and requires a single omnibus appropriation bill.

It seems to me that this bill incorporates the lessons that we have learned from the budget process experience of the last several years. The binding first resolution with reconciliation seems to be the natural outgrowth of what we have learned. Allowing 60 days, which may not even be long enough, for reconciliation, recognizes that this is a difficult process and takes some time.

A single appropriations bill also seems to me consistent with this lesson and with the binding first resolution. If you didn't do this, you would have the first-through-the-gate problem of everyone competing to get their appropriations bills in first. A single bill allows the Congress to consider all appropriations at the same time and to make tradeoffs among them.

The move, too, it seems to me, would benefit just about everybody. It is hard to think of a Federal program that would benefit from reexamination and redirection every year rather than every 2 years. It would give more time for congressional decisions, more certainty for executive agencies, and more certainty for the State and local governments. There would be less frenzy and, I think, more confidence that the Congress was acting in accordance with an orderly and well-thought-out budget plan.

I see a few difficulties with the bill as it is currently drafted. Some are easier to fix than others. I would suggest that the credit activities of the Government be added in all phases of the bill and

incorporated in the congressional resolution. One might also consider a special provision for consideration of tax expenditures in the resolution.

One problem may be that the time schedule currently contemplated does not leave enough time for authorizing legislation. It would seem to me logical to move the authorizing process into the second session. It logically takes place in the context of considering major policy changes and oversight of programs. If it were possible to do the authorizing legislation in the second session, then you would have that in place when the Congress began to deal with the next biennial budget.

One problem not too easy to deal with is that even within a single budget year, budget estimates do change over time, and with a biennial budget, this will be worse. I think you need some kind of mechanism for updating the budget estimates as you move through the budget process.

I personally am skeptical about the necessity of a supermajority to change the budget resolution. Budget resolutions need to be changed for a variety of reasons. One may be because the economy changes unexpectedly. Another may be that budget estimates change for other noneconomic reasons, or more importantly perhaps, because the Congress simply does change its mind about what an appropriate policy should be.

Two years is a long time in which to forgo changes for any of those reasons. It would seem to me that, although you do need to make it difficult to change capriciously, allowing for change at any time by a simple majority would be sufficient and would provide you some flexibility over the 2-year period.

Finally, if it doesn't seem possible to do all of this at once, and since the bill does make a major change in how the Congress does its business, the committee might consider some kind of phasein. As a first step, one might begin with requiring 2-year or longer authorizations for everything, then experiment with 2-year appropriations for programs in which that seemed the most feasible, and then move to the full set.

In addition, of course, it would be possible to take the pieces of the bill that are improvements on the current budget act, even without the biennial aspect, and institute a binding multiyear budget resolution with reconciliation in the first resolution.

Overall, though, my basic feeling is that you are on the right track, and that both strengthening the budget process in the way indicated and moving to a biennial approach would be a major step forward in the way Congress does its business.

Chairman ROTH. Thank you very much for your helpful statement.

If I may ask you a few questions about your proposals, I have a great deal of sympathy for the idea that we should have at least a 2-year authorization. I cannot really see any benefit in annual authorization any more than annual appropriation. So I think there is great merit in that.

If I understand what you are suggesting, it is that the authorizations come up the odd year, or the second year. Would you only concentrate on budget matters then the first year and not permit authorizations to come up at all in that year?

Ms. RIVLIN. That is a hard question. I think I would do everything to encourage the authorizations being finished in the nonbudget year. But I do not think you could prohibit changes in authorizations, in part because you have got a new Congress.

Chairman ROTH. That is what concerns me, a new Congress, and a new President. I don't think they would want to wait until the second year if we use the time schedule we have.

Ms. RIVLIN. I think that is right. I think you would have to permit changes, but I think it would be an advantage for most ongoing programs to have the authorizations out of the way.

Chairman ROTH. I agree with that very much.

I think that is a worthy proposal, one that we ought to incorporate.

Let me ask you a couple other questions. You may not want to comment on one of them. I have heard a considerable discussion about the membership of the Budget Committee itself, that it tends at least in the past to be made up of the chairman, ranking member, and a number of new members, which has certain merit because in many ways they may best reflect the latest thinking. But the problem is that the chairman and the ranking members on a lot of the key committees do not have any direct input.

Would you see any advantage in possibly enlarging or modifying in some way the Budget Committee to include the principal chairmen and ranking members so that they would directly participate in the budget? They are the ones required later on to pretty much enforce the budget.

Ms. RIVLIN. I haven't given that much thought, but my off-the-top-of-the-head reaction is negative for this reason: I think the Budget Committee is awfully hard work, and to take a chairman or ranking minority member of another major committee and expect them to do both jobs is a very difficult thing indeed. There should obviously be a lot of communication. But I have watched in the House the problem created by the fact that under current procedures a certain number of Members have to be on both Ways and Means and Budget, or both Appropriations and Budget. It is a terrible problem for those people. It is more work than any human being can do. And if they were in addition the chairman or ranking minority member, I think it would be difficult to get a working quorum for the activities of the Budget Committee.

Chairman ROTH. A partial answer might be that the 2-year approach is a good way to prevent those chairmen from proposing authorizations in the budget year. However, I believe that with the 2-year schedule, it would be easier than I think on the end, although it would still be improved in some measure.

Ms. RIVLIN. I think it would. Actually, this past session was the first time that there were a large number of freshman Senators on the Budget Committee, and I think that had rather special origins. It was a change of majority party, and there simply were a lot of new members.

That is not necessarily a normal situation.

Chairman ROTH. I have heard even some of the chairmen of the principal committees say that if you just had chairmen, you might not have any change. Maybe it is a good idea for that reason to have some of the newer members.

You mentioned your concern with the question of a super majority. I have to say that I have some reservations, too, although I would also like to see some certainty in the budgetary process.

Do you have any suggestions? In your remarks, you said somehow it should be made more difficult. A great concern today is to achieve a balanced budget. Would it make any sense to require a super majority only if anyone tries to move in the direction of further unbalancing the budget? In other words, only simple majority would be necessary if the changes proposed did not result in a larger deficit or smaller surplus.

Ms. RIVLIN. It sounds pretty complicated to me. I think in experience, nobody likes to change a budget resolution once they've got one. It is very hard to get it. Once it is in place, there is an enormous reluctance to change it. So it seems to me that it is really not necessary to impose the super majority there. You do have considerable roadblocks in the way of change just by having a binding resolution and needing to vote to change it.

Chairman ROTH. One criticism I have heard with respect to the second budget resolution being made up of the 13 appropriations bills, which I strongly support, is that it would create a problem for the President if he could only veto one resolution. I doubt that the Congress is willing to go toward a line item veto. Of course, there are a number of things conceivably you could do. For example, he could still veto on the basis of what we have today. In other words, the one appropriation bill could be broken down, and he would have the right to veto, as he does today. Or possibly there would be some more logical breakdown. I must confess that I find it very hard sometimes on these appropriations to know how to vote because I am against the farm subsidies and I am usually for environmental matters. So the way we currently break down these appropriations does not seem particularly logical.

Would you have any comment in this area, particularly with respect to the problem of putting put the President, whoever he may be, in a rather difficult spot if he has to veto an entire budget?

Ms. RIVLIN. Yes. I think that is true. It does give the President a little less leverage. One might consider allowing him to veto some portion of it, although as you note, there is no very logical way to break the different pieces down. You will always—probably rightly—have a negotiating situation in which the Congress is forcing the President to take something he does not like in order to get something he does like. I am not sure that that is bad. I have not given that matter any thought, but I would be happy to.

Chairman ROTH. I would appreciate any comments you may care to make on this issue. I think a serious question is involved here.

I have a few more questions, but let me now turn to Senator Pryor. Dave?

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Senator Roth, I would like to compliment you on not only holding this hearing, but going forward with legislation on this matter. I definitely think it is time that we look at possible changes in the budget process that we have.

Senator Roth has had a very long history in the House, where I had the privilege of serving with him, and now in the Senate of attempting to make the train run better, and he is constantly vigilant in that regard.

I want to applaud you, Senator Roth, for coming forward with this legislation. I hope that I will ultimately be able to support it. I support much of it as it now is written. There are some questions I have about it because your proposal would be a significant change from what we now are doing.

I do have a statement, Mr. Chairman, that I would like to insert in the record and then one or two questions for Dr. Rivlin, if I might.

[The statement follows:]

PREPARED STATEMENT OF SENATOR DAVID PRYOR

I want to thank the Chairman for calling this hearing on S. 2629, the Budget Reform Act of 1982.

One of the most basic functions of the Congress is to exercise its constitutional power of appropriating money every year. It is in the exercise of this power of the purse that the Congress spends the greater part of its time and energy and often where the frustrations are the greatest.

The 1974 Congressional Budget and Impoundment Control Act attempted to alleviate some of these frustrations. That act established for the first time a set of procedures for assuring a reasonable degree of consistency between individual congressional funding decisions and broader fiscal objectives. Despite its considerable benefits, the value of that legislation has been limited by the increasing complexity of the budget process and the difficulty of meeting the 1974 act's time schedule in today's budgetary environment.

I believe the goals of the budgeting process should be first, to facilitate planning and congressional control. Second, the budget process should be comprehensive in coverage and include all forms of Federal financial activity in order to ensure the effectiveness of the process. Third, the budget process should present accurate information about all Federal programs to the Congress and the public.

An example of a problem inherent in the budget process is the narrow reconciliation instruction given to this committee which prevented me from achieving additional budgetary savings this year. I offered an amendment during this committee's consideration of its budget reconciliation instructions which would have saved $450 million over a 3-year period by reducing government spending for consulting services. I withdrew the amendment at the urging of several members of the committee because the savings it would have achieved were not reductions in "direct spending" recognized by the Budget Committee. Consultant expenditures is an area where the budget should be cut and a savings that could easily have been achieved by this committee. Something is seriously wrong with the budget process when this type of savings is not encouraged. I look forward to working with the distinguished chairman on this legislation and I look forward to hearing from our witnesses this morning.

Senator PRYOR. One thing that concerns me, Dr. Rivlin, about the budget process, is that we have deadlines that are not adhered to—for example, I think the first date is May 15, for passage of the first budget resolution. It is almost like cost overruns at the Pentagon. There are no penalties. There are no penalties for violating that date, nor are there incentives for the Congress as an institution to comply with those dates. This may be a little far reaching, but what would happen if, on May 16, we had not finished our business and met the first benchmark and gotten that resolution passed by both Houses, and then maybe the Congress was just deauthorized from meeting or holding any committee hearings or anything else until that resolution was approved? Or maybe even a little more drastic, a failure to act would stop our pay [laughter]

until we did our business. Suppose we had some incentive like that?

Ms. RIVLIN. But not staff pay. [Laughter.]

Senator PRYOR. Not staff pay, but some incentive, some penalty possibly, for not complying. Have you thought of that concept?

Ms. RIVLIN. I think you could do that, but, in a way it is playing games with yourself. The only real incentive for the Congress in the end is the incentive to carry out the Nation's business in an orderly way. It seems to me that the Congress hasn't actually done too badly on the Budget Act deadlines, when you consider how impossible they are. The May resolution is not normally passed on the 15th of May, but it is normally passed early in June. That is not too bad. The sanction there is essentially that you cannot do anything else. You can't move ahead on the appropriation bills until you have the budget resolution in place. That does create some incentives.

The reason I think that the second resolution deadline has been missed so much more regularly and by so much larger a margin is that, in fact, the second resolution has proved to be unnecessary. Senator Roth's bill reflects that. If you have a strong, binding first resolution with reconciliation in it, may not need a second one. The economy might change. But his bill provides for that as well. But, while I think you could make sort of arbitrary consequences for yourselves, I guess I am not terribly enthusiastic about it. I think what you really need is a set of deadlines that are meetable.

Senator PRYOR. I also feel in watching the budget process that we have seen a decoupling of the appropriations process and the budget process, particularly in the reconciliation process. I have an example that I would like to cite. We worry about the budget resolution constantly and this year is going to be another prime example. This year we are almost in September, but we have yet to pass a permanent appropriations bill in the Senate. No bills have come from the House to the best of my knowledge. I would just make the prediction that we will certainly, in my opinion, have a lame duck session and probably once again wind up operating the Government on a series of continuing resolutions.

Is there any way that we could recouple or bring closer together, the appropriations process and the budget process; make one conditional upon the other, or something?

Ms. RIVLIN. The schedule in Senator Roth's bill would help. There is no guarantee that it would work, but it has a couple of advantages. It does move the fiscal year to the calendar year, which does give you 3 more months, or maybe 2.

Senator PRYOR. I strongly support that, by the way.

Ms. RIVLIN. So the chances of getting through it are better. And I think that with the whole concept of spending one session of Congress on the budget and the next one on other things, if the Congress were serious about that, then the appropriations would get done.

Senator PRYOR. Dr. Rivlin, is it true that we might make changes in the process without changing existing law? Could we accomplish this simply by having the Budget Committee do it without changing the law?

Ms. RIVLIN. Some changes have already been made without changing the law. The law reads quite clearly; it says that reconciliation is associated with the second resolution. We now do it in the first. There is language that permits that. But it is clearly not the way it was originally thought out. This year the second resolution may not happen in the sense that the first resolution says that if there is no second resolution by October 1, then the first resolution will become binding.

That was again another way of changing the law in the same direction that Senator Roth was suggesting, without legislation.

Senator PRYOR. If we had a 2-year budget instead of a 1-year budget cycle, would this not increase the oversight challenge on the Congress and especially Senator Roth's Committee on Governmental Affairs? We would be engaged, I assume, in a great deal more oversight than we are engaging in at this time.

Would you comment on that?

Ms. RIVLIN. I would hope so. I think it would allow that for the whole Congress, and it would allow other activities such as foreign policy debates and that sort of thing.

Senator PRYOR. On the issue of oversight, and I am probably catching you cold on this, but maybe for the record you might insert two or three suggestions for oversight which would help this committee function more efficiently. I hope that you would feel free to make any suggestions for needed reform in oversight. If you don't have a comment on that now, certainly we would welcome it for the record.

Ms. RIVLIN. I would be happy to do that. My only comment immediately would be that I think oversight is necessarily closely tied to the authorization process. It should be essentially the same thing for authorizing committees.

[The information referred to follows:]

BIENNIAL BUDGET TRANSCRIPT

The most significant impact of biennial budgeting on oversight will be the increase in time available for oversight, time that should substantially improve the quality of the oversight process. The current annual process so constrains the time available for oversight and authorizations that many important concerns are either treated lightly or bipassed altogether. By devoting the second session of each Congress to oversight and authorizations, the Congress will be able to examine programs and consider legislation far more carefully. The time is required to consider the national policy context for the program, the appropriate type of financial support—direct government spending, direct or guaranteed loans, or tax expenditures—the relationship of the program to related activities, and the overall effectiveness of the program. The result of the increased attention to oversight should be less duplication and overlap, clearer statement of objectives, and ultimately, better use of scarce resources.

The shift to a biennial budget and increase in time available for oversight is the most important oversight reform. There is no single approach, formula, or precedure that can be used by all of the committees in carrying out their oversight functions. rather, the procedures that work best will be determined by program characteristics of the programs within each committee's jurisdiction.

Senator PRYOR. Thank you very much.

Chairman ROTH. Thank you, Dave.

I have two or three more questions that I would like to take up with you.

There must be in the system some kind of enforcement procedure which I guess is what you could call the reconciliation compli-

ance. That has been in some ways quite controversial because in a way it avoids some of the basic rules of the respective Houses of Congress. We are on the horns of a dilemma because if we don't have some such procedures, it could very well make the budgetary process meaningless.

At the same time, I can understand some of the concerns on the part of those who feel that changes have been brought about without following our normal process.

Is there any middleground, any way we can still maintain the basic procedures?

I recall in your written testimony you suggested that the Budget Committees might be able to propose amendments if the committees didn't follow through. Am I not correct on that? Do I recall seeing something in that?

Ms. RIVLIN. Yes. There is this dilemma. What happens if the other committees do not respond to reconciliation instructions? One possibility would be to allow budget committees simply to step in with its own language.

Chairman ROTH. I suspect that that would not be very politically popular.

Ms. RIVLIN. No, but it might force the other committees to respond.

Chairman ROTH. I guess as a practical matter there are those who think there is too much power there now. It may be very hard to get that kind of a condition. With the 2-year schedule included in my bill, we would have more time. We would not have the time limitations which currently constrain us, with the annual requirement of committees to comply with the budget. That may help. But I do agree that there has got to be some kind of reconciliation process if there is going to be any enforcement, as I said, it has been heavily criticized.

I would like to go back just briefly to the question of the budgetary predictions, 3 or 5 years. As I think you, yourself, have testified, they are just predictions, they are just ideas, at best "guesstimates" depending upon what your basic factors are that you roll into it. But one of my concerns is that if we look down the 3 or 5 years, which I think is essential, there is a tendency of some, including the private sector to accept those predictions as fact.

Another concern I have is a feeling at times that the Budget Committees and CBO, as well as others, are biased according to whatever their philosophy is, and that the OMB always underestimates, irrespective of who the occupant of the White House is.

Is there anything we can do to try to reach an agreement that the numbers are the best available for everyone concerned irrespective of whether they are liberal, conservative liberal, or whatever they are? Is there anything we can do, as you see it, to strengthen the position on which we base our decisions?

Ms. RIVLIN. It is very hard. The sheer uncertainty will not go away, I'm afraid. I don't expect to live long enough to see economic predictions become exact.

The problem of biases, I think, also is a real one. Given the uncertainty, the administration is bound to take the optimistic end of the range. I don't think there is anything you can do about that. It is an institutional fact. If you are President, you have got to tell

people things are going to be better if your program is enacted. All Presidents do that. I don't think there is anything you can do about it. I personally think it is for that reason that the Congress needs an independent agency that does not work for the administration to give an alternative view, to try to give a consensus forecast, which is what we do at the CBO. We try to give the Congress the middle ground of what most forecasters are saying, and that tends to be a little bit less optimistic than whatever administration is in power.

I don't think it would be sensible to average out those two numbers. I think you just have to live with the fact that they are going to be somewhat different and that generally speaking, the CBO will be a little bit less optimistic than the President, which doesn't mean that they will always be right.

Chairman ROTH. Let me ask you a final question. In your testimony you comment that implementation of the first concurrent budget resolution for fiscal year 1983 promises significant progress toward altering the current gloomy outlook for Federal deficits. Would you care to comment as to the effect on these deficits and what our chances for a healthy recovery would be if the budget resolution is not implemented both with respect to the spending side and the tax side?

Ms. RIVLIN. Yes. What the budget resolution does do if it is all carried out is essentially arrest what otherwise would be an escalating deficit over the next several years. It doesn't bring the deficit down toward zero. We still have a very large deficit facing us, on the order of $170 billion in 1983 through 1985, including the off-budget items.

I think that is too much, but without the budget resolution, it would be worse. We would be facing the prospect of increasing deficits, which would probably put upward pressure on interest rates and make it very difficult to sustain the economic recovery.

Whether the economic recovery occurs and whether it will be sustainable is in doubt even if the legislation implementing the budget resolution passes.

I think it would be more in doubt if it did not.

Chairman ROTH. I share that concern. I think it is critically important that the tax bill as well as the spending side reconciliation bill be enacted.

Dr. Rivlin, I appreciate your being here today to share with us and your comments. I think it is pretty obvious that the reform isn't going to come through before we either recess or adjourn for the campaign but I would ask you to continue to give us informally the benefit of any suggestions or recommendations you may have.

Thank you, very much.

Ms. RIVLIN. I would be happy to, Mr. Chairman.

Thank you.

[The prepared statement of Ms. Rivlin follows:]

STATEMENT OF

ALICE M. RIVLIN
Director

CONGRESSIONAL BUDGET OFFICE

Mr. Chairman, I am pleased to appear before this Committee to discuss strenghtening the budget process and implementing a biennial budget for the federal government. My statement this morning will review briefly the current budget outlook and the progress already made in improving the budget process before turning to a review of the key features of S. 2629, the proposed Budget Reform Act.

NARROWING THE BUDGET GAP

As a result of budget action last year and the onset of a recession, the prospect for federal deficits this spring was very disturbing. For fiscal years 1983 through 1985, high and rising deficts appeared probable, even assuming a moderate economic recovery. Implementation of the First Concurrent Budget Resolution for Fiscal Year 1983 promises significant progress toward altering this gloomy outlook. Under the assumptions of this resolution, budget projections show a substantial reduction in the deficits that would otherwise occur and the elimination of their widening pattern over time. Nonetheless, the deficts foreseen for each of the next three years--in the range of $140 to $160 billion (and still assuming economic recovery)--indicate that the Congress will need to redouble its efforts to bring revenues and outlays closer together to ensure long-term economic health and stability.

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Although the goal of the Congress must be to reduce the deficit, immediate restoration of a budget balance could endanger economic recovery and would create widespread economic dislocation. In order to reduce budget deficits without disrupting the economy, an achievable multiyear plan to bring revenues up and spending down will be needed. The magnitude of the necessary changes will require a strong and enforceable budget process that will facilitate addressing problems in all parts of the budget. Unless the process deals effectively with slowing spending growth in national defense and entitlement programs as well as discretionary accounts and unless it is effective in phasing in some growth in revenues, the budget deficit outlook will not improve.

PROGRESS UNDER THE CURRENT BUDGET ACT

The Congressional Budget Act of 1974 was intended to increase Congressional control over the federal budget and to establish an orderly schedule of budget actions. The budget act originally established an annual iterative budget process. The Congress would set tentative budget totals in a first resolution in May (by which time all authorizing legislation was to have been reported out of committee); second, do all the detailed work on specific appropriations and tax laws; and third, make binding decisions on budget totals in a second budget resolution to be passed in September just before the fiscal year began. Reconciliation was to allow for final

adjustment--that is, reconciling the detailed changes just passed with the spending and revenue totals in the second resolution.

Experience with the budget process has revealed that there simply is not time between January and September for such a lengthy and iterative process of decisionmaking. The hard decisions to cut spending or raise taxes must be made early in the year, not left to September when the budget year is about to begin. Hence, the first resolution has become increasingly important and the second increasingly a formality. This year's first concurrent resolution recoginizes this necessity by explicitly stating that the first concurrent resolution will become binding if a second concurrent resolution has not been adopted by the beginning of the new fiscal year.

A related development has been the use of reconciliation instructions in the first, rather than the second, budget resolution for the past three years. Before the spring of 1980, the Congressional budget process had little impact on entitlement spending. Each year's budget resolutions included assumed legislative savings to be accomplished by amendments to entitlement program authorizations, but these legislative savings were rarely enacted. The first concurrent resolution for 1981 included reconciliation instructions directing committees to report amendments to mandatory spending programs. The Congress enacted a reconciliation bill that provided about $5 billion in outlay savings. The fiscal year 1982 reconciliation instructions called for much larger outlay savings and

extended the scope of reconciliation by requiring multiyear spending reductions and by mandating reduced authorizations for discretionary programs. In 1983, the reconciliation instructions continued to address mandatory spending and were extended to set revenue goals for the tax committees.

The budget process has also been expanded to cover direct and guaranteed lending, an area of federal activity not originally specified in the provisions of the budget act. Federal credit activity rapidly expanded during the first five years of the Congressional budget process. While direct spending for these activities was relatively small, there was a growing recognition that the impact of federal credit, including loan guarantees, on the economy was significant. The budget resolutions for fiscal years 1981 and 1982 were expanded to set targets for total direct and guaranteed loans and to allocate those targets among the budget functions. The first resolution for fiscal year 1983 went further, requiring new credit authorizations to be subject to appropriations limitations and the credit budget to be allocated among committees of jurisdiction, and establishing the targets as ceilings upon enactment of the second budget resolution. These extensions of the budget process into the credit area give promise of better control over the total impact of the government on the economy.

Another important change is the growing acceptance of the multiyear nature of budget decisions. The budget resolution (including the

reconciliation sections) now includes spending and revenue targets for the upcoming budget year and for two years beyond. This change recognizes several facts. First, most of the outlays in the upcoming year are locked in so that substantial changes in priorities can only be accomplished over a longer period. Second, abrupt changes in the tax code or in entitlement programs, in particular, are disruptive. A multiyear approach allows for phasing in changes. Moreover, focus on the upcoming budget year alone was an open invitation to creative accounting and fund-shifting. Multiyear targeting has strengthened the budget process by allowing for a longer-term plan incorporating a feasible and responsible transition to changed priorities.

The changes that have been implemented under the budget act underscore its flexibility. In response to serious economic and budgetary problems, the Congress has been able to modify its procedures. These changes have been sensible, have acknowledged flaws in the process, and have permitted the Congress to begin to address the serious problem of deficit reduction. It may be the appropriate time to incorporate these changes formally into the budget process.

PROBLEMS WITH THE CURRENT PROCESS

Timing and Workload

No one needs to remind the Congress of the problems associated with its heavy workload and the time devoted to the consideration of annual authorizations and appropriations. For several years, final action on appropriation bills has been delayed until well into the fiscal year. Much of the government has been funded under continuing resolutions, leading to widespread uncertainty and program inefficiencies in many agencies. The credibility of the Congress is certainly not enhanced by this failure to pass budget resolutions and appropriations on time. This year's treatment of the first resolution as potentially binding to eliminate the need for a second one should help ease the workload problem somewhat, but there are still problems that need to be examined.

Many factors have contributed to the tardiness in enacting appropriations. One major problem is simply policy differences among Members. But changes over the years in the way the Congress goes about its business also make it harder to pass appropriations on time. At the end of World War II, 95 percent of federal spending was permanently authorized. Since then, as the Congress has sought to exert greater control over federal programs, the use of annual authorizations has increased. In recent years,

nearly 20 percent of all budget authority requiring current action has been subject to annual authorization. Understandably, the annual review of programs increases the Congressional workload, limits the time available for oversight, and makes it difficult to meet deadlines imposed by the Congressional Budget Act.

The requirement that legislative committees report authorizing legislation by May 15 has posed problems for the Congress. Because of the difficulty in meeting the budget act deadline, committees often report skeletal bills by May 15--only to have the bills fleshed out by committee amendments during floor consideration--or seek waivers of the reporting deadline.

The failure to enact authorizations on time strains the appropriations process. The Appropriations Committees often must omit funding for the unauthorized programs from their bills, thus forcing supplementals, or may delay consideration of the bills altogether. This has been part of the reason for not passing all appropriations bills by the beginning of the fiscal year and, consequently, relying on continuing resolutions.

Need For Policy Deliberation

As the budget process has been carried out in the last few years, it has forced the Congress to make a great many far-reaching decisions after only

a limited opportunity for deliberation and debate. The agenda has been too full, and the time for its consideration too short, to allow anyone to be confident that all the implications of the various options have been examined or that the draftsmen have succeeded in accurately capturing the will of the Congress.

The Congress must make immensely important and difficult policy decisions on social security, tighter entitlements, adapting defense investment to budget realities, and setting priorities among the nondefense discretionary programs. The nation cannot afford any legislative blunders, substantive or technical, as the Congress struggles with issues having so large an impact on the security of the country and the well-being of the people. The deadlines of the budget process must not be allowed to overwhelm the need for quality in what is being decided.

BUDGET REFORM ACT OF 1982

The Budget Reform Act of 1982, S. 2629, introduced by the Chairman, directly addresses a number of the shortcomings in the procedures established by the Budget Act of 1974. It attempts to strengthen enforcement mechanisms while ensuring flexibility, and it cuts the overload of the budget process by reducing the number of steps in the process and spreading them over a longer time period. The major provisions of S. 2629 are:

- The establishment of a biennial budget--budget decisions in the first session of Congress, oversight in the second;

- Requirements for a single binding budget resolution, followed within 60 days by enactment of a reconciliation bill;

- Replacement of the current 13 appropriations bills by a single omnibus appropriations bill;

- Requirement of a super majority roll call vote of 2/3 for revisions to a budget resolution; and

- Establishing January 1 of even-numbered years as the start of each fiscal period.

Strengths

Some of the provisions of this bill write into the statute procedural innovations that have already occurred in practice. These include making the first budget resolution binding from the start (a strengthening of this year's procedure), including reconciliation, and eliminating the need for the second resolution. S. 2629's proposal to allow 60 days for completion of work on the reconciliation bill seems like a sensible response to the current too-short deadline. In this regard, it might be possible to give even more

time for reconciliation by pushing forward, say to November, the date for completion of all action in the first session.

The requirement for a single omnibus appropriations act, consistent with the first resolution and enacted well in advance of the start of the fiscal year, is an interesting mechanism to ensure compliance with the first resolution and to ensure timely passage of appropriations measures. It has the obvious virtue of significantly reducing the number of bills that have to be enacted each year. More importantly, such an omnibus appropriations act would also more clearly expose in one place the trade-offs that need to be made among programs.

The most innovative change in the bill is the move to a biennial budget. Many budgetary decisions are already made in advance. Interest on the national debt is paid as a result of a permanent appropriation. Large portions of the budget are devoted to social security and other entitlement programs. Few would claim that we would be better off if the Congress had to decide every year whether to have a social security or unemployment insurance program. Rather, a strong case can be made that most federal programs would benefit from the stability associated with a longer budget cycle. A biennial budget could significantly reduce the workload of the Congress and the federal agencies.

By completing spending and tax bills in the first session of every Congress, it would be possible to use the second session for program oversight and for the searching review of major policy actions that is so needed. During the oversight period, committees could devote themselves to issues requiring protracted hearings and study. For example, our progress in integrating credit into the budget process will do little good unless we better understand how federally assisted credit affects the economy. Priorities in discretionary spending cannot be set effectively until the federal-state relationship is thoroughly examined. The biennial schedule would make it possible to address these kinds of issues.

The quality of budget decisions could be maintained or improved if appropriations for many programs were made every other year. Unexpected demands that occur in the second year could be accomodated by supplemental appropriations, but this practice should be the rare exception. Biennial budgeting would also decrease the uncertainty that makes it so difficult to manage some federal agencies today. Agencies could make longer-range plans without concern for disruptions caused by the inability of the Congress to enact annual appropriations on time.

State and local governments would benefit from biennial budgeting. Currently, the uncertainty of federal funding has an adverse effect on program effectiveness and execution at the state and local level. These governments do not know from year to year what to expect from the federal

government. If the Congress authorized and appropriated for these programs on a two-year or longer basis, state and local governments could plan far more efficiently.

Programs with long lead times, such as highways and many defense items, can only be harmed by the uncertainty of annual funding. A two-year cycle could bring greater certainty and savings to the defense procurement process. Finally, enacting a budget plan to reduce the budget deficit in two-year chunks would increase public confidence that the Congress will stick with the plan.

Problems

There are a number of problems with S. 2629 that could be easily remedied. While the bill requires the President to submit credit limits in his budget proposal, it does not require the Congress to do so. I believe that including credit limits in the budget resolution would be a desirable change. (Language establishing coverage of the resolution should also permit inclusion of tax expenditures.) In addition, the bill as written still requires authorizing bills to be reported early in the first session, at the same time budget legislation is being prepared. Authorizing legislation is an activity that is more closely linked to the oversight and broad policy role that the bill places in the second session. I would recommend that authorizing legislation (except for changes forced by reconciliation) be shifted to the

second session. (If this was done, the sequence of activities for different committees would be that given in the attached table.)

One problem that is not so easy to remedy is the tentativeness of economic assumptions developed so far in advance of the beginning of the budget period. When the President submits his two-year plan in January of the odd-numbered year, it is for a fiscal period that does not begin for another year and will not be completed for three years. We all know that the economic outlook can change quite swiftly, and unforeseen circumstances can significantly alter outlay and revenue estimates based upon the early economic assumptions. Some mechanism for easily updating these estimates without formally amending the first resolution may be advisable.

This brings me to S. 2629's requirement for a supermajority to change the first budget resolution. I agree with the objective of the provision which is to strengthen control of the budget process. But the fact is that a budget resolution exerts control by limiting legislative action that deviates from dollar totals in the resolution. These dollar totals may change for three reasons: a change in the economy, a technical change regarding spendout rates or tax-collection rates, or because the Congress decides to change policy. The first two reasons certainly should not require a 2/3 vote. I would also question the need for a 2/3 vote when the Congress determines that a budget policy change has to be made. Much can happen in two years

that no one could have foreseen. Some flexibility is needed because economic or domestic and foreign policy requirements can change swiftly and unpredictably.

CONCLUSION

The Budget Reform Act of 1982 would incorporate a number of major improvements into the budget process. It adopts the informal amendments to the budget process that have evolved over the past eight years and goes beyond them to the important shift to a longer term process--a biennial budget.

If the Congress is reluctant to move in one step to a biennial budget, it could experiment with biennial budgeting by requiring:

- Two-year Authorizations. Such authorizations would be a prerequisite for biennial appropriations.

- Selective Use of Two-Year Appropriations. The shift to two-year appropriations could be started by shifts to two-year funding for activities that either need longer time horizons or those that change little from year to year.

In addition, the budget process could be strengthened by requiring:

- Binding Multiyear Numbers. The out-year targets should be made binding for reconciliation and direct spending. In practical terms, this could be implemented by requiring multiyear scorekeeping and by requiring future presidential budgets and budget resolutions to be compared to the baseline established by the out-year figures.

- Binding First Resolution. The provisions established by Section 7 of the First Concurrent Resolution for 1983 making the first resolution binding in the absense of enactment of a second resolution by the beginning of the fiscal year should be continued. A logical progression would be for the first resolution to be revised during consideration of the next year's resolution.

- Reconciliation in the First Resolution. The practice used in the past two years of including reconciliation instructions in the first resolution should be continued. The proposed time period in S. 2629 of 60 days from enactment of the resolution could be tried out.

While I have some reservations about the details of S. 2629, the bill provides an excellent framework for shaping the next reform in Congressional budgetmaking. CBO is prepared to provide whatever assistance your Committee needs as you continue your deliberations.

SCHEDULE OF LEGISLATIVE ACTIONS UNDER S. 2629

Legislative Action	First Congress		Second Congress	
	First Session	Second Session	First Session	Second Session
Budget Resolutions	X		X	
Appropriations	X		X	
Fiscal Period Begins		X		X
Authorizations		X		X
Oversight				
Budget and appropriations		X		X
Program review and authorizations	X		X	
Contingencies (Supplementals, revised budget resolutions, emergency authorizations)		X		X

Chairman ROTH. At this time it is my pleasure to call forward Mr. Bowsher, who is our comptroller general.

I don't think we were fortunate enough to have your advice and consideration when we had the hearings before because I am not sure you even had been appointed to your position. But we believe that because of your background in the private sector in accounting matters as well as organizational matters, you can give us a great deal of insight and perhaps a fresh look at what we are trying to do here.

I would ask you if you would for the purposes of the record to introduce those who are here with you and then proceed.

TESTIMONY OF CHARLES A. BOWSHER, COMPTROLLER GENERAL OF THE UNITED STATES, ACCOMPANIED BY HARRY HAVENS, ASSISTANT COMPTROLLER GENERAL, KENNETH HUNTER, SENIOR ASSOCIATE DIRECTOR, PROGRAM ANALYSIS DIVISION, AND ARTHUR CORAZZINI, CHIEF ECONOMIST

Mr. BOWSHER. Thank you, very much, Mr. Chairman.

I have with me three colleagues from the GAO. Harry Havens, Assistant Comptroller General; Kenneth Hunter, who is up in our budget area; and Arthur Corazzini, who is our chief economist at the present time.

We are pleased to be here today to appear before you to discuss reforming the Congressional Budget Act. The Budget Reform Act of 1982, S. 2629, is designed to establish a 2-year budget process, to improve congressional control over the budget, and to streamline the requirements of the budget process, including improving the legislative and budgetary processes by providing additional time for oversight and other legislative activities and to provide stability and coherence to those who receive Federal funds.

I believe these areas fully warrant the attention that your committee is giving to them.

The current Budget Act, by providing an operational umbrella over the other policymaking processes of the Congress—budget and fiscal policymaking, appropriations, revenue raising, and authorization—was designed to create a framework within which the Congress could set national budget priorities and establish appropriate levels of Federal revenues and expenditures.

However, implementation of this act has most recently been beset with difficulties. At the time you introduced S. 2629, Mr. Chairman, you and many of your colleagues have commented on the severe timing problems, the repetition and duplication in the process, and the increased use of continuing resolutions.

The budget has become so all consuming that little time is left for other legislative matters. Nevertheless, despite these extraordinary efforts of Members of Congress, delays have an effect on both financial markets and the effective and efficient operation of Government agencies and programs.

I share your view that the Congress must solve these problems, and must solve them soon.

I think it is essential that we bring much greater stability to our Government's activities and thus to our economy. Accomplishing this task will require not only that we strengthen the basic frame-

work for congressional decisionmaking but also that we greatly improve the Federal Government's financial management systems at all levels.

S. 2629, the Budget Reform Act of 1982: We believe that biennial budgeting offers several potential advantages over the current system. It can reduce the number of times the Congress must act on the same programs. It can provide more time for long-range planning and oversight. It can provide the opportunity for better budget analysis, financial and operational planning, budget execution, and program review by both the Congress and the executive branch.

Biennial budgeting can also provide more funding certainty for recipients of Federal moneys or services, especially if it were coupled with greater use of advance funding for these programs.

Despite these potential advantages, several items must be given particular attention: The sequence and timing of key events; the adjustment mechanisms in the second year; streamlining the process; and the estimating process, particularly for revenues and entitlements.

I will briefly discuss each of these items.

Sequence of key events and timetable:

Determining the sequence of key events and constructing a realistic biennial timetable is very difficult. Any budget timetable represents a series of decisions as to the choice of key events in the budget process, the sequence of those events, and the amount of time allowed for each event.

The timetable of the 1974 act assumed that all the then-existing events in the budget process would remain. The act further superimposed on all these events a guiding first budget resolution with targets, a binding second budget resolution with ceilings, and a reconciliation process. This timetable also assumed that authorizations would precede appropriations.

A biennial schedule could include all of the steps in the current process, fewer steps, or different steps. A biennial schedule could spread the budget events over an entire 2-year period with oversight occurring throughout or it could put the budget events in the first year, followed by oversight in the second year or vice versa.

The biennial could coincide with the 2 years of a Congress or could overlap Congresses. The fiscal period could begin October 1, as it does now, or could be changed to January, or back to July.

The timetable in S. 2629 differs substantially from other biennial budget proposals we have reviewed. Under S. 2629, all budget decisions would be made in the first session of Congress; the second session would be devoted primarily to oversight.

This timetable is attractive because: It allows difficult budget votes to come in a nonelection year; it allows budgets to be adopted during the first year of a President's term, when there is more chance of consensus between the President and the Congress; it allows a newly elected President to initiate swiftly the program outlined in the campaign; and it leaves the Congress relatively free in the second session to perform program and policy oversight, building a base of information for consideration in the subsequent biennium.

However, this timetable does have some drawbacks. New Presidents would have little time to develop a comprebensive budget policy unless their top executives were identified early and were ready to go to work soon after the election.

This problem might be eased a bit by sliding the dates for congressional action. But this would restrict the time available for congressional deliberation, which has been relieved only slightly by shifting the start of the fiscal period to January 1.

Other timetables have different advantages and drawbacks. None seem to satisfy every concern. The choice involves trade-offs. On the whole, we at GAO favor a timetable having congressional action on the budget take place in the first year of a Congress, with oversight and other activities primarily concentrated in the second year.

Adjustment mechanisms: Operating under a biennial budgeting system does not mean passing a budget once every 2 years and having to live with it no matter what happens. A biennial budget system should provide the flexibility to adjust to contingencies and changing conditions.

In our review of State experience, we found several different mechanisns for making adjustments. Some accomplish it through an annual review process in the second year. Others confer authority for adjustments on a small group of legislators, usually members of the Appropriations and Finance Committees, with executive branch representatives acting as advisers.

The group meets periodically to deal with any proposed adjustments to the budget within some established constraints and rules.

A third approach allows the executive branch to make adjustments to the budget in consultation with the Appropriations Committees, again within rules established in the budget acts.

Existing congressional adjustment procedures, such as supplemental appropriations, rescissions, deferrals, transfers, and reprogramings, do provide flexibility. But, to avoid or discourage frequent revisions and abuse, we need more specific procedures and someone responsible for managing the adjustment process, such as the appropriations committees. We favor this approach over the other alternatives.

In considering this issue, however, we urge that the adjustment process be limited to matters that cannot await the next biennial budget. If the adjustment process becomes simply a vehicle for reopening decisions, the advantages of biennial budgeting will soon be lost.

Streamlining the process: Many have argued that the current budget process is too cumbersome and repetitive and, therefore, is in need of streamlining whether or not we change to a biennial fiscal period. S. 2629 has several features designed to streamline the process: A single binding budget resolution; an omnibus appropriations bill; withholding budget-busting bills from enrollment; and reconciliation anytime after passage of the budget resolution.

In general, we like the direction of these proposed changes.

We really do want to stress our overall support for anything that brings simplification and flexibility to the budget process.

I would like also to point out that we believe that some of the hurdles that now exist that have come into the process like the

funding gaps that we had last November in regard to continuing resolutions and the need to vote as the Senate has here two votes in the last 4 months on the debt ceiling. These hurdles in the process, I believe, lead to a process that does not have stability.

We think that one of the things that your bill would bring about is greater stability in the budget process and that we would urge a great deal because we believe that Government operations need that stability as does the U.S. economy.

Another area that I would like to touch on very briefly is financial managenent in the Federal Government as a whole because, in addition to the congressional budget process, that has become too cumbersome. We have an accounting system, a budget system today in the executive branch that is just probably too complicated for most policy leaders in the executive branch and many of the leaders in Congress to fully understand all of those issues.

We believe that we have too many unrelated information systems, management information systems and we don't think that the budget and the economy systems are properly integrated so that you have lots of times with the unfortunate situation that when you do oversight you do not have the numbers coming back on the same basis as they are budgeted.

Some work we have done recently in the selected acquisition report system, the SARS as they are commonly known in the Defense Department, are based on more information coming out of the prime contractors and then changed or modified, based on program officers' best thinking and not very often tied to the budget and to the accounting information of the official records of the Government.

We also are doing some work on the Defense budget and found that when you budget certain items in the operations appropriations and then when they go to the military service and go down through the whole chain of command, you find that lots of times the money was spent for something other than maybe readiness which is what the Congress wanted and why they voted that money.

So we believe this entire financial management system at some point in time should be looked at to see if it cannot be improved and simplified and we believe that that could have a major benefit on the overall congressional budget process which would include oversight.

We have also included in our statement today a suggested revised budget structure which we believe should be given some consideration and the idea of keeping all the items in a unified budget rather than taking certain items like capital assets out and establishing a new capital budget which some people have been advocating.

These are some of the items, Mr. Chairman, that we have included which we do not have time to go into today. I would just like to close here with the closing we have in our statement and that is to state that because the Budget Act is so integral to the way Congress behaves as an institution, reforming it will require bipartisan consensus within the Congress and a careful balancing of conflicting objectives.

Clearly S. 2629 has been drafted with these requirements in mind. Consequently it will be an excellent vehicle for furthering the Congress understanding of both the issues and some of the innovative approaches the Congress might wish to take toward simplifying its budget process; allowing more time for Congress to do its work and strengthening the discipline and the enforcement within its budget process.

I commend you, Mr. Chairman, and this committee for the thoughtful effort which has already gone into the drafting of S. 2629 and for initiating the long and difficult—but necessary—process of improving the congressional budget mechanism. I offer whatever assistance we at GAO can provide as you continue with this work.

Chairman ROTH. Thank you, very much for your helpful statement.

There are a number of questions that your statement does raise. There is one I wanted to read because I think it is a little shocking.

Somewhere you point out, here it is on page 15, that under present procedures our Federal decisions on funding are made at least 9 months too late from the State and local government point of view.

I think that is a fair indictment and one that is, I think, particularly troublesome to the decisionmakers at the local level.

Mr. BOWSHER. I think that is right, Mr. Chairman.

In other words, I think that with the New Federalism that the President is trying to achieve here in sending the moneys down to the State and the local level, if they do not have a Federal budget system timetable that gives them the proper lead time and the proper opportunity to do their planning and their budgeting and to review the execution of their budgets which now will include more and more Federal funds, then I think we have a problem that the Congress should certainly consider as part of their budget process review.

Chairman ROTH. I was also intrigued by your revised budget structure. In that portion you made some comment that, I believe it was that section, where we get involved in too much detail.

I am speaking now of Congress. I think that is a problem.

As I view it, the Congress is to set policy and it is up to the executive branch to implement those policies. But in the last 20 years or so we have tended to get more and more involved in the detailed decisionmaking which, frankly, here on the Hill, we may not have the background or capability of doing.

Can you elaborate at this point on the kind of a breakdown that you propose on page 13?

One of my concerns is that as we take these piecemeal decisions, I don't care whether they talk about research and development or entitlements or credit, we don't look at the overall picture.

I doubt very few Members of Congress understand across the board what is involved in each of these areas, probably much larger than most of them realize. But I was wondering if any serious consideration has been given to your proposal to date.

Mr. BOWSHER. No. What we have done here is we have done some thinking ourselves and we wanted to propose it to the com-

mittee here for their consideration and it may open up the research and the discussion that might be done on the format.

There has been quite a bit of talk and even some Members of Congress, I think, saying that they believe that the Federal Government should adopt a separate capital budget and a separate operating budget like many of the States have; and some of the cities have.

We, after giving it what thought we have today are still inclined to think that the Federal budget might be better off to stick with the unified budget approach because it gives you the greater visibility from the economic point of view of what the Federal budget is doing, but we thought by going to some kind of a breakdown like this, and it wouldn't have to be the only breakdown, with modern computers today you should be able to conjure various sums and projects and programs, appropriation structures so that you can resort it into differing categories. But it would seem to me that one of the things that might be considered is some kind of a format like this which would give you just about all of the advantages of the separate budgets that people are talking about but keep it within the unified budget.

Chairman ROTH. I strongly support the unified budget, and I agree from the economic point of view, I think, that it is essential. But you are exactly right. We could have several alternatives. I think one of the problems as far as the Congress, is getting it into a simplified, easily understood form. There will be a few experts, fortunately, in the Senate and House who will dig into the detail. But one of the problems is often that we have too much information, too much detail and it is very difficult to understand the overall effect.

Mr. BOWSHER. I have had some discussions with Dr. Rivlin and we are planning to work with her and her staff on some of these format concepts.

We would hope that in the months ahead, maybe when Congress first gets back next January or February, that we could give you more research, more thought on this whole subject.

Chairman ROTH. I will look forward to that.

I was interested in your so-called adjustment mechanism whereby you provided that limited adjustments could be made by a small group of possibly members of the Appropriations and Finance Committees—members of the Finance Committee, I go along with that—with executives and representatives acting as advisers.

How many States have adopted these procedures? Do you have any additional information on what States have?

Mr. BOWSHER. Let me ask Ken Hunter to respond to that.

Mr. HUNTER. We contacted the States that are on the biennial system and that have almost full-time legislatures. These represent examples of how it is done in each of those States. So I think we have one case for each of these illustrations.

Chairman ROTH. So they are not widespread at least at this time?

Mr. BOWSHER. I think it would be fair to say that there is really quite a variety of adjustment mechanisms used by the different States.

Mr. HUNTER. Yes; they are.

Chairman ROTH. Do they give a certain percentage limitation as to how much they can vary?

Mr. HUNTER. First of all, the States tend to have a balanced budget requirement. So they have to stay within the balanced budget and within some rules established, but not necessarily by percentages.

Mr. BOWSHER. I might point out that we are soon going to issue a GAO report based on this review that we have done at the various States. So we will have the detailed information in that report for your committee staff.

Chairman ROTH. All right. You may have heard me ask Alice Rivlin the question of the President's use of the veto. By adopting one appropriation bill and giving the President a choice of either accepting or rejecting this entire bill, I would suspect we might raise some objections from the White House point of view, whoever the occupant is.

Most of them want line items?

Mr. BOWSHER. That is right.

Chairman ROTH. I would be interested in your comments now or if you don't have them at this time, later, on this issue. As I mentioned to Alice, even though you had one appropriation bill, you still could maintain the authority of the President to veto on the same basis that we have now.

The only problem here I suppose would be that that doesn't change anything.

Mr. BOWSHER. I would like to give that further consideration. But I share the concern. In other words, it seems to me it is hard to send up one appropriations bill and not give some flexibility to the President.

Chairman ROTH. To what extent do you think there might be an increased need for supplemental decisions on a biennial budget?

In other words, the need for supplementals has become a problem under the current annual budget system. Would it be even more difficult for Congress to predict spending needs for future years? Or would there be a special process for making these changes? We have already touched on it somewhat.

Frankly, one of my concerns with the budgetary process in the past is that we go through all of these procedures and we end up with additional budget resolutions, supplementals, and so forth. You wonder if the budget resolution really means anything.

I think it still does because it forces you to make some hard decisions in the process but, frankly, the results are often watered down to such an extent in some cases that there are those who would argue it is meaningless.

Mr. BOWSHER. I think that is why the adjustment process is so important, Mr. Chairman.

When you think of the biennial budget, I think that the more that the system to adjust it could be thought through, and I agree with your earlier concern that it shouldn't be too easy to change it, because I think if it is too easy to change, then you lose a lot of the advantages of the biennial budget. But I think that if the adjustment process is thought through, you might be able and I would hope you would be able to get away from as many of the supple-

mentals and rescissions and all of the other things that we have in today's process.

Chairman ROTH. I was looking at page 7 of your testimony.

> We are concerned that the two-thirds requirement to amend the budget resolution may be too restrictive. We support instead a first resolution with provision to make the first binding if the second is not passed by a certain date.

I will be candid. I am a little surprised at that reaction because I think one of the worst aspects of the current processes is the existence of a second budget resolution.

Congressman Panetta was here at our hearings last October. He pointed out, and I thought very eloquently, that the first budget resolution has tended to become a political document, devised by Congress to be in favor of a balanced budget and all of the other things that sound good. But in fact when we get down to the meaningful provisions it becomes political. So that I don't see much merit in more than one budget resolution.

Mr. BOWSHER. I think that is what we are really trying to say there, that we are worried about having these multiple resolutions.

I am not sure that we have explained it in the best way. That is really our major concern, having too many budget resolutions.

Chairman ROTH. I really feel that we ought to concentrate on one and the reconciliation. In fact that is tending to become practice even under existing law. I am not wedded to the idea of a two-thirds vote. I can make an argument for it in the sense that what bothers me is that what we have done in the past for the reasons I have already stated made our budget resolutions meaningless.

At the same time, as one watches the economy in the last several years, there does have to be some flexibility written into it. Of course, if we ever have a balanced budget, that will change the situation considerably. But I must say that I am strongly in support of this kind of a single budget resolution early in the year and reconciliation with the appropriation being the second budget resolution.

Gentlemen, I appreciate your being here today.

As I said to Dr. Rivlin, we are not obviously going to adopt anything in the current year, but I am hopeful that this is going to be a principal thrust of next year. And I would ask you, Mr. Bowsher, as I have Dr. Rivlin, to give us the benefit of any suggestions or comments as to how to proceed.

Thank you, very much.

Mr. BOWSHER. We would be very pleased to do that.

[Mr. Bowsher's prepared statement follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

TESTIMONY OF

CHARLES A. BOWSHER

COMPTROLLER GENERAL

OF THE UNITED STATES

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

ON

S. 2629

THE BUDGET REFORM ACT OF 1982

Mr. Chairman and Members of the Committees:

I am very pleased to appear before you today to discuss reforming the Congressional Budget Act. The Budget Reform Act of 1982, S. 2629, is designed to establish a 2-year budget process, improve congressional control over the budget, streamline the requirements of the budget process, improve the legislative and budgetary processes by providing additional time for oversight and other legislative activities, and provide stability and coherence for recipients of Federal funds. I believe these areas fully warrant the attention that your committee is giving to them.

The current Budget Act, by providing an operational umbrella over the other policymaking processes of the Congress (budget and fiscal policymaking, appropriations, revenue raising, and authorization), was designed to create a framework within which the Congress could set national budget priorities and establish appropriate levels of Federal revenues and expenditures.

However, implementation of this act has most recently been beset with difficulties. At the time you introduced S. 2629, Mr. Chairman, you and many of your colleagues have commented on the severe timing problems, the repetition and duplication in the process, and the increased use of continuing resolutions. The budget has become so all consuming that little time is left for other legislative matters. Nevertheless, despite these extraordinary efforts of members of Congress, delays in funding decisions have increased. These delays have an effect on both financial markets and the effective and efficient operation of government agencies and programs.

I share your view that the Congress must solve these problems, and must solve them soon.

I think it is essential that we bring much greater stability to our government's activities and thus to our economy. Accomplishing this task will require not only that we strengthen the basic framework for congressional decisionmaking but also that we greatly improve the Federal Government's financial management systems at all levels.

S. 2629, The Budget Reform Act of 1982

We believe that biennial budgeting offers several potential advantages over the current system. It can reduce the number of times the Congress must act on the same programs. It can provide more time for long-range planning and oversight. It can provide the opportunity for better budget analysis, financial and operational planning, budget execution, and program review by both the Congress and the executive branch.

Biennial budgeting can also provide more funding certainty for recipients of Federal monies or services, especially if it were coupled with greater use of advance funding for these programs.

Despite these potential advantages, several items must be given particular attention:

--the sequence and timing of key events;

--the adjustment mechanisms in the second year;

--streamlining the process; and

--the estimating process, particularly for revenues and entitlements.

I will briefly discuss each of these items.

Sequence of key events and timetable

Determining the sequence of key events and constructing a realistic biennial timetable is very difficult. Any budget timetable represents a series of decisions as to the choice of key events in the budget process, the sequence of those events, and the amount of time allowed for each event. The timetable of the 1974 Act assumed that all the then-existing events in the budget process would remain. The Act further superimposed on all these events a guiding first budget resolution with targets, a

binding second budget resolution with ceilings, and a reconciliation process. This timetable also assumed that authorizations would precede appropriations.

A biennial schedule could include all of the steps in the current process, fewer steps, or different steps. A biennial schedule could spread the budget events over an entire 2-year period with oversight occuring throughout or it could put the budget events in the first year, followed by oversight in the second year or vice versa. The biennium could coincide with the two years of a Congress or could overlap Congresses. The fiscal period could begin October 1, as it does now, or could be changed to January, or back to July.

The timetable in S. 2629 differs substantially from other biennial budget proposals we have reviewed. Under S. 2629, all budget decisions would be made in the first session of Congress; the second session would be devoted primarily to oversight. This timetable is attractive because

--it allows difficult budget votes to come in a non-election year;

--it allows budgets to be adopted during the first year of a President's term, when there is more chance of consensus between the President and the Congress;

--it allows a newly-elected President to initiate swiftly the program outlined in the campaign; and

--it leaves the Congress relatively free in the second session to perform program and policy oversight, building a base of information for consideration in the subsequent biennium.

However, this timetable does have some drawbacks. New Presidents would have little time to develop a comprehensive budget policy unless their top executives were identified early and were ready to go to work soon after the election. This problem might be ameliorated by sliding the dates for congressional action. But this would restrict the time available for congressional deliberation, which has been relieved only slightly by shifting the start of the fiscal period to January 1.

Other timetables have different advantages and drawbacks. None seem to satisfy every concern. The choice involves tradeoffs. On the whole, we favor a timetable having congressional action on the budget take place in the first year of a Congress, with oversight and other activities primarily concentrated in the second year.

Adjustment mechanisms

Operating under a biennial budgeting system does not mean passing a budget once every 2 years and having to live with it no matter what happens. A biennial budget system should provide the flexibility to adjust to contingencies and changing conditions. In our review of State experience, we found several different mechanisms for making adjustments. Some accomplish it through an annual review process in the second year. Others confer authority for adjustments on a small group of legislators, usually members of the appropriations and finance committees, with executive branch representatives acting as advisors. The group meets periodically to deal with any proposed adjustments

to the budget within some established constraints and rules. A third approach allows the executive branch to make adjustments to the budget in consultation with the appropriations committees, again within rules established in the budget acts.

Existing congressional adjustment procedures, such as supplemental appropriations, rescissions, deferrals, transfers, and reprogrammings, do provide flexibility. But, to avoid or discourage frequent revisions and abuse, we need more specific procedures and someone responsible for managing the adjustment process, such as the appropriations committees. We favor this approach over the other alternatives. In considering this issue, however, we urge that the adjustment process be limited to matters that cannot await the next biennial budget. If the adjustment process becomes simply a vehicle for reopening decisions, the advantages of biennial budgeting will soon be lost.

Streamlining the Process

Many have argued that the current budget process is too cumbersome and repetitive and, therefore, is in need of streamlining whether or not we change to a biennial fiscal period. S. 2629 has several features designed to streamline the process:

--a single binding budget resolution,

--an omnibus appropriations bill,

--withholding "budget-busting" bills from enrollment, and

--reconciliation anytime after passage of the budget resolution.

In general, we like the direction of these proposed changes. The single binding budget resolution is attractive because it

eliminates the repetition of the second and, at times, third budget resolutions. We are concerned, however, that the two-thirds requirement to amend the budget resolution may be too restrictive. We support, instead, having a first resolution with a provision to make the first binding if the second is not passed by a certain date (as is now in effect for the Fiscal Year 1983 budget).

The omnibus appropriations bill would accomplish two things. It would eliminate the repetition of passing 13 appropriations bills and it would tend to strengthen the discipline in the process. That it failed to work once before (for the 1950 appropriations) is certainly basis for concern, but the idea is worth further further consideration. On the other hand, retaining the 13 separate appropriations bills does have the advantage of continuing the more specialized and detailed attention given to parts of the budget by the Congress as a whole. Another alternative you might want to explore for even greater integration would be a single consolidated budget bill, embracing revenue actions and the debt limit, as well as appropriations. This would provide further assurance of consistency among various aspects of the budget.

The third feature, withholding bills from enrollment, allows the Congress to see the cumulative effect of spending bills before completing action on the budget and eliminates the vulnerability of the last bill scheduled for floor action. It is a mechanism that has already proved fairly effective in allowing the Congress to see the effects of their actions, but it also contributes to the number of decisions required at the end of the process.

Allowing reconciliation at any time after the budget resolution is passed would add some flexibility. We believe this would be useful. Indeed, as a general principle, we would tend to favor less rigid schedules, with fewer hurdles to overcome when creating a budget. I cannot emphasize enough the importance of simplifying the Federal budget process. Each time a complicating factor is introduced into the process, it increases in geometric proportions the complexities of executive branch formulation, presentation, and execution of the individual budgets.

For example, when the Congress passes a continuing resolution, then later passes an appropriations bill, and still later passes a supplemental appropriation, agencies affected by that action must apportion, allocate, and administer their funds three times for the fiscal year instead of one. The analysis, justification, reconciliation, and administration of three different sets of numbers for a fiscal year has to consume more than three times the effort that would be required to formulate, present, and execute one set of budget figures.

On the other hand, when the Congress does not pass a continuing resolution on time, one of the other effects of the legislative budget process can be the shutdown of the Government, as happened on November 23, 1981. The Constitution precludes the expenditures of public funds except pursuant to appropriations made by law. The Antideficiency Act establishes procedures and criminal penalties to assure compliance with the constitutional requirement. For many years, the Congress and the President were able to meet fiscal year deadlines for passing appropriations measures to assure the smooth continuation of Government operations from year to year. As Government activity and related budget consideration grew more complex,

however, it became increasingly difficult to meet fiscal year deadlines on an agency-by-agency basis. Continuing resolutions were used to avoid disrupting Government operations. However, as fiscal years were ending without enactment of either specific appropriations or continuing resolutions, anxieties increased, but congressional action took place in sufficient time to avoid more than a day or two without provision of funds.

GAO took the position that allowing employees to report for work after the lapse of appropriations would constitute violation of the Antideficiency Act. But, on the premise that Congress expected the Government to continue functioning, we did not pursue our normal course in dealing with the statutory violations involved. That is where the issue stood until April 25, 1980--the day the Attorney General issued a landmark opinion concluding in essence that except for activities necessary to achieve an orderly shutdown, Government operations must cease when appropriations lapse without provision of new funding. He went on to say that future violations would be subject to criminal prosecution. The Attorney General's opinion was designed to force the Congress to meet budget deadlines, thereby avoiding end-of-fiscal-year confusion. The Congress, in light of the decision, later enacted a continuing resolution only to have it vetoed. The costly shutdown occurred. The real culprit is a budget system that promotes confrontation.

In March 1981, we reported to the Congress on the negative consequences of this annual race against the clock to avoid funding gaps. The report emphasized the serious disruptions to program activities and the general demoralizing effect of repeated periods

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of uncertainty as to whether operations would have to cease. We recommended to the Congress that permanent statutory authority should be enacted to allow the incurrence of obligations to continue during periods of lapsed appropriations, to minimize the ill effects of such situations.

For example, the Congress could consider adopting some form of legislation which would permanently and automatically continue funding. The authority could (1) be in effect for a limited amount of time (less than 1 year) and (2) fund programs at the level of the previous fiscal year or (3) fund them at a reduced level. Government programs would be allowed to continue while the Congress had time to make orderly decisions.

The last type of hurdle or deadline relates to the debt ceiling. Voting once to raise the debt ceiling is painful enough without having to deal with this issue twice, as the Senate did this year in 4 months' time. Would it not be preferable to increase the ceiling by larger amounts in order to extend the time period covered by this legislation both to avoid lapses in government funding and reduce the need for frequent decisions on that issue?

Revenue and entitlement estimates

The present budget process has been complicated by the wide divergence in budget estimates coming from different sources, particularly for revenues and entitlements. This has sometimes caused the debate to focus on the credibility of the estimates, rather than the policy issues. Biennial budgeting makes estimating even more important. We have no

ready solution to this problem, but urge that it be given careful attention.

Federal financial management

We believe a shift to biennial budgeting is worth serious exploration. By itself, however, that change might solve only some of the problems. If it happened in isolation, it would not live up to its full potential. Better national decisionmaking and policymaking require major strengthening of executive branch budget submission and related processes, as well. We believe great improvements are needed in the overall financial management system of the Federal Government.

The financial management processes and systems that support Federal policymaking--planning, budget formulation, budget execution, accounting, evaluation, and management information systems in particular--have not kept pace with the needs of the Congress or the executive branch.

The basic development of these systems has lagged badly with designs that might have been appropriate to an earlier era. Also, there has never really emerged the degree of integration that could permit these systems to be mutually supportive. Decisionmakers in both the executive branch and the Congress have had to cope with separate and often disjointed budgetary and other management systems. As we overhaul the financial management systems, our objectives should be simplification, adoption of a revised budget structure and funding methods, integration of budgeting, accounting, and other supporting systems, enhanced capability and information for congressional oversight, and a longer-term, more integrated approach to policymaking. In summary, what is needed is more stability

in government operations using new improved systems that complement each other.

Simplification

No decisionmaker can be expected to grapple simultaneously with the thousands of separate decisions represented by the appropriation account, activity, and object class structure in the Appendix to the President's Budget. Attempting to do so almost forces even the most conscientious decisionmaker to focus on the details instead of concentrating on the larger policy issues.

This is not to say that decisions at this level of detail are unimportant. Decisions made at the top of the governmental structure obviously must be converted into more detailed decisions as one moves down the hierarchy and simultaneously moves from planning broad priorities to executing specific programs and activities.

Top policy officials of the Congress, the President, and the executive agencies should focus on broad policy, including the basic direction and general content of programs. Once these directions are decided upon, program managers should be delegated the authority needed to carry out those policy decisions and should be held responsible and accountable for the results. This concept has been endorsed often in rhetoric, but over the years, more and more detailed account structure and funding constraints have been built into the process. Nevertheless, I see a greater inclination to simplify the financial management system today, in part because of the evident "decision and detail overload" that exists for top policy officials, including members of Congress.

Revised budget structure and funding methods

Currently, there are proposals to separate from the unified budget such items as capital investments and the trust funds that finance retirement programs. We agree that these issues warrant particular attention and visibility in the budget process. However, we believe that can and should be done within the unified budget. We suggest that the main budget structure might be revised to group the Federal Government's programs and activities into the following policy areas:

1. Investment in capital assets, both defense and domestic,
2. Research and development,
3. Aid to State and local governments,
4. Credit assistance,
5. Entitlements for individuals,
6. Interest, and
7. Operating expenses.

There are many ways to structure budget data. We believe modern data processing techniques should permit the budget to be reformatted in a variety of ways to serve a variety of purposes. But we think this structure would have a special value. By looking at the budget from these policy perspectives, it is easier to deal with the national needs, the Federal Government's roles, and the means for financing more comprehensively. This cannot be done program by program, nor can it be done effectively using the current budget functions although each of those structures has value for other purposes. We chose these seven categories because they each involve large portions of the Federal budget and each require different planning, financing, and management approaches.

We believe funding methods can be tailored for each of these policy areas.

Investments in capital or physical assets should involve longer-term decisions on programs and funding whenever possible. Greater stability for investment programs is a necessary ingredient in program efficiency, and we have often suggested this for major military weapons programs. A longer-term focus for investment decisions would allow the Congress to consider budget levels in relation to the overall conditions and needs for the Nation's public infrastructure and the defense structure. The 5-year programs for shipbuilding and the 3-year programs for aircraft construction are good examples of how this is presently being done for defense.

The research and development category also should include both DOD and domestic programs. Decisionmaking focused on this category would recognize the need for greater certainty and continuity of work as well as the need to look across agencies. As with capital investment programs, we believe multi-year funding is appropriate, to avoid the disruptive effects of sudden, unplanned changes in direction. We feel that this type of funding would have a very positive and stabilizing effect on the conduct of Federal R&D. Funding should be available to move from one phase of research to the next without disruption.

The third category is aid to State and local governments. The use of this category would recognize that these recipients of Federal monies need more stability and continuity of funding. GAO currently has a study underway examining the timing problem between the Federal, State, and local budget processes. The

study has found that most State and local governments must have definitive Federal information 6 months before the start of their fiscal years (in most cases July 1), but Federal decisions on funding levels are often made just before the beginning of the Federal fiscal year, October 1, if the Congress adheres to its budget timetable. This means that most Federal decisions are made at least 9 months too late from the State and local point of view. It is for this reason that we recommend that consideration be given under this new category, for funding decisions to operate on a 2-year cycle, with advance funding by 1 year.

The fourth category is credit assistance. Grouping all credit programs into a category should encourage more consistent treatment of credit activities as an integral part of the budget. Credit is now treated in a variety of ways, including loans as appropriations, repayments as receipts, loans via revolving funds, off-budget loans, and loans via government-sponsored enterprises. Many of these are off-budget or not fully disclosed in the budget. This variety of methods creates a wide range of funding cycles, many of which are already multiyear. The Congress and the Office of Management and Budget have already started to deal with credit programs as a group. We believe this could be carried further by establishing them as a separate group to make their financing more consistent and visible.

The fifth category, entitlements for individuals, brings together a family of programs that are continuous and are not linked to any particular period, other than the cyclical aspect of the timing of cost of living adjustments. Entitlements can

only be changed through altering substantive law, which can be done at any time. Generally, when the Congress sets up a program as an entitlement, it does so in recognition of the need for stability in such a program and a long-term commitment to participants. This category provides the vehicle to cluster these similar programs together in one place in the budget and to deal with them at a policy level as separate and distinct from the rest of the budget. A key policy issue for entitlements is indexation, and this issue should be treated with a degree of consistency among the programs. In past GAO reports, we have recommended that the best option for constraining the indexation process is to give the President and the Congress the discretion to modify, through the budget process, the amount of adjustment indicated by the index. This approach would restore flexibility by permitting the President and the Congress each year to make decisions balancing budgetary considerations against the desire to maintain the real level of benefits.

The sixth category is governmental operational expenses. This category would include the amount spent by Federal agencies for personnel costs, administrative travel, training, and the like. Funding decisions for these activities could be made on a 2-year cycle. However, based on our knowledge of biennial experience at the state level, it is desirable to provide a mechanism for adjustment in the second year. Care should be taken in structuring the mechanism so that the fine-tuning changes would be permitted, but the funding in this category could not be totally revised. As we suggested earlier, the Appropriations Committees might be assigned the task of managing this adjustment process.

Implementing all the changes in funding methods to achieve greater stability in government operations and services would create some additional rigidity in the expenditure elements of fiscal policy. Therefore, greater attention would need to be given in the adjustment mechanisms to revenues as well as expenditures.

Integration of budget, accounting and other supporting systems

When we think of a sound financial management system we need to think about the integration of systems which support the formulation and execution of budget policy.

Officials acquire the information they need in a wide variety of ways, and that is part of the problem. We have a vast number of information systems and sources and they frequently work at cross-purposes. We have budgeting systems, accounting systems, program and policy analysis and evaluation activities, management information systems, economic forecasting systems, program monitoring and reporting systems, auditing systems, and many others.

Each source of information tends to be designed as if there were no other source. It has its own language, its own structure, its own set of data elements, and its own reporting frequency. Thus, the decisionmaker is faced with reconciling inconsistencies and somehow figuring out what it all means.

Complaints about information overload have been around for a long time, but I suspect the time is coming when we will start doing something about it. I think it is likely to mean the development of fully-integrated data bases, from which it is possible to pull various facets of information about something of interest

(such as a program, financing source, or location) with confidence that the data has both commonality and integrity.

The budget, particularly if it begins to be simplified and restructured along the lines we are suggesting, is likely to become both the source of pressure for this integration and the framework around which the integration occurs. Systems of information that cannot be integrated around this one unifying decision framework are likely to find themselves increasingly isolated and irrelevant in the decision-making process.

Enhanced oversight and program review

We believe another component needed in financial management reform is an enhanced role for oversight, program review, and budget execution--how was the money spent and was it done efficiently and effectively. A basic feature of S. 2629's timetable is a set-aside period for the Congress to do oversight. While this should certainly go a long way to enabling the Congress to do more oversight, we did notice that the bill contains no procedures or mechanism for conducting oversight. It occurs to us that the President could be required to develop and submit a 4-, 5- or 6-year Administration budget plan that could serve as an initial input to the Congress who could then develop their oversight and program review agendas.

GAO can also focus its work on the programs and policy areas the Congress will be addressing in its oversight process and thereby better meet the information needs of the Congress. For example, we could provide the Congress one or more summary reports each biennium covering our work on major issues the Congress plans to address plus any other matters that have come to our attention

that we believe the Congress should consider. We could also provide the entire Congress with separate reports on each of the major programs and policy areas. GAO reviews can be general oversight reviews of management or program effectiveness or budget-oriented reviews to identify potential areas for savings. For example, given that military spending is projected to be about 32 percent of the total budget in 1985, up from 24 percent in 1980, we have taken a critical look at Defense's plans and examined actual use of these increased funds, and found a number of areas where improvements are needed.

Between fiscal years 1980 and 1982, the Defense budget increased by approximately $72 billion, a 50 percent increase since the 1980 budget year. Most of the increase was directed to improving readiness and substainability, modernizing the forces and improving the quality of life for military personnel. Our examination of this spending and the way Defense makes its spending decisions show that corrective action is required in numerous areas.

--The Secretary of Defense needs to follow through on his pledge to improve stability in the weapon systems acquisition process by eliminating marginal programs to fund higher priority programs at more economic levels of production.

--The Secretary of Defense needs to monitor more closely those programs receiving large funding increases to ensure that additional funding can be spent prudently.

--The Secretary and the Congress need better visibility over the way funds are used in the operations and main-

tenance areas. Currently the reporting to higher levels is primarily through the financial controls, such as obligation rates, rather than through reporting on what was accomplished with the funds in relation to the plan.

--The current Defense budget system needs to be improved; it is virtually silent on what was accomplished with the funds provided. In addition, Defense needs to (a) better justify its requests, (b) develop a strategy for carrying out the programs, (c) clearly state their objectives and develop a measure to gauge performance, (d) report their accomplishments in relation to their established criteria and (e) build into subsequent budget requests feedback on actual performance.

The Congress may want to consider other steps to enhance its oversight role, including using a procedure patterned after the Department of Defense SAR (Selected Acquisition Reports) system for major capital investments throughout the government.

The Defense SAR system provides useful information on the status and progress of selected major weapons systems. Through this system, which has been in existence for over a decade, some visibility on weapon system cost and cost growth, as well as changes to schedule and technical performance data and reasons for such changes, are provided to congressional committees. Just as important, the SAR system provides categories recording specific causes of cost growth. This type of data, accumulated over a period of years on a wide variety of systems, has provided

a valuable insight into such growth. We believe that although the SAR system provides useful information, it can be improved. These improvements were outlined in testimony before your Committee on April 22 of this year. The focal point of our testimony at that time was the proposed use of SAR system for major civil acquisitions, as envisioned in S. 2397. We stated that such a system would provide the Congress and top agency management with oversight data on the progress and direction of projects and allow them to readily identify problem areas and their causes. We feel that the SAR system should be an integral part of the congressional oversight process and budget execution particularly in view of the need for better information on capital investments, including development of longer-range plans and the evaluation of agency performance in light of these plans.

Integration of economic policies

Our economy is in the midst of a severe recession; yet we persist in sending mixed signals to the financial and business communities by simultaneously embracing a restrictive monetary policy and a stimulative fiscal policy. Many economists predict the economic uncertainty will continue. The conflict between monetary and fiscal policies will increase as future budget deficits overstimulate an economy already weakened by a restrictive monetary policy designed to squeeze out the recent inflationary trends.

I believe there is a growing recognition that it is the mix of fiscal, monetary, and at times incomes policies that affect economic conditions. In the final analysis, integration will

depend on the Administration, the Congress, and the Federal Reserve Board agreeing on the long-range goals and policies necessary to achieve those goals.

Closing

Because the Budget Act is so integral to the way Congress behaves as an institution, reforming it will require a bipartisan consensus within the Congress and a careful balancing of conflicting objectives. Clearly S. 2629 has been drafted with these requirements in mind. Consequently, it will be an excellent vehicle for furthering the Congress' understanding both of the issues and of some innovative approaches the Congress might wish to take toward simplifying its budget process, allowing more time for Congress to do its work, and strengthening discipline and enforcement within its budget process.

I commend the Chairman and this Committee for the thoughtful effort which has already gone into the drafting of S. 2629 and for initiating the long and difficult--but necessary--process of improving the congressional budget mechanism. I offer whatever assistance we can provide as you continue with this work.

Chairman ROTH. The committee is now recessed.

[Whereupon, at 11:25 a.m., the committee recessed, to reconvene at the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

97TH CONGRESS
2D SESSION

S. 2629

To provide for a two-year budget process, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 15 (legislative day, JUNE 8), 1982

Mr. ROTH introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To provide for a two-year budget process, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Budget Reform Act of 1982".

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act—

(1) to establish a process through which the Federal budget will be adopted for a two-year period;

(2) to improve congressional control over the Federal budget process;

(3) to streamline the requirements of the budget process in order to promote better accountability to the public;

(4) to improve the legislative and budgetary processes by providing additional time for congressional oversight and other vital legislative activities;

(5) to provide stability and coherence for recipients of Federal funds; and

(6) to implement other improvements in the Federal budget process.

TWO-YEAR CONGRESSIONAL BUDGET PROCESS

SEC. 3. (a) Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "each year" and inserting in lieu thereof "every two years".

(b)(1) Section 3(1) of such Act is amended—

(A) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 3(4) of such Act is amended to read as follows:

"(4) The term 'concurrent resolution on the budget' means—

"(A) a concurrent resolution setting forth the congressional budget for the United States Government for a two-year fiscal period as provided in section 301; or

"(B) a concurrent resolution on the budget revising the congressional budget for the United States Government pursuant to section 304.".

(3) Section 3 of such Act is further amended by adding at the end thereof the following new paragraphs:

"(6) The term 'two-year fiscal period' means the period of two years beginning on January 1 of each even-numbered year.

"(7) The term 'omnibus appropriation bill' means the bill providing new budget authority for a two-year fiscal period for all departments, agencies, and authorities of the Government.

"(8) The term 'supplemental appropriation bill' means a bill providing new budget authority for a two-year fiscal period for one or more departments, agencies, or authorities of the Government, which is considered in accordance with section 307(c).".

(c)(1) Section 202(a)(1) of the Congressional Budget Act of 1974 is amended—

(A) by inserting "omnibus" before "appropriation bills";

(B) by striking out "and other" and inserting in lieu thereof "supplemental appropriation bills,"; and

(C) by striking out "or providing budget authority or" and inserting in lieu thereof "budget authority, and bills authorizing or providing".

(2) Section 202(f) of such Act is amended—

(A) by striking out "April 1 of each year" in paragraph (1) and inserting in lieu thereof "April 15 and July 15 of each odd-numbered year";

(B) by striking out "fiscal year commencing on October 1 of that year" in paragraph (1) and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year";

(C) by striking out "such fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "such two-year fiscal period";

(D) by redesignating paragraph (2) as paragraph (3), and (in such paragraph) by striking out "paragraph (1)" and inserting in lieu thereof "paragraphs (1) and (2)"; and

(E) by inserting after paragraph (1) the following new paragraph:

"(2) On January 15 and July 15 of each even-numbered year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate such revisions of the report required by paragraph (1) as may be necessary with respect to the two-year fiscal period in progress.".

(d) Section 300 of such Act is amended to read as follows:

"TIMETABLE

"SEC. 300. The timetable with respect to the congressional budget process for any Congress (beginning with the Ninety-eighth Congress) is as follows:

"First Session

"On or before:	Action to be completed:
January 2	Committees submit oversight reports to their respective Houses.
15th day after Congress meets.	President submits his budget for the two-year fiscal period beginning in the succeeding calendar year, including current services budget.
March 31	Committees and joint committees submit views and estimates to Budget Committees with respect to two-year fiscal period.
April 15	Congressional Budget Office submits report to the Budget Committees with respect to the two-year fiscal period beginning on January 1 of the succeeding year.
April 30	Budget Committees report concurrent resolution on the budget for the two-year fiscal period to their respective Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 31	Congress completes action on concurrent resolution on the budget for the two-year fiscal period.
June 15	House Appropriations Committee reports the omnibus appropriation bill for the two-year fiscal period.
July 15	President and Congressional Budget Office report to the Budget Committees.
July 31	House completes action on the omnibus appropriation bill for the two-year fiscal period.

"First Session—Continued

"On or before:	Action to be completed:
7th day after Labor Day.....	Senate Appropriations Committee reports the omnibus appropriation bill for the two-year fiscal period.
September 30.....	Senate completes action on the omnibus appropriation bill for two-year fiscal period.
September 30.....	Congress completes action on bills and resolutions providing new spending authority for two-year fiscal period.
October 15.....	Congress completes action on the omnibus appropriation bill for two-year fiscal period.
	Second Session
January 1.....	Two-year fiscal period begins.
January 15.....	President and Congressional Budget Office report to Budget Committees.
July 15.....	President and Congressional Budget Office report to Budget Committees.
During session.....	Committees conduct oversight on programs and activities within their jurisdiction.".

(e)(1)(A) The section heading for section 301 of such Act is amended by striking out "FIRST".

(B) The item relating to section 301 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "first".

(2) Section 301(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "May 15" in the subsection heading and inserting in lieu thereof "May 31 of each odd-numbered year";

(B) by striking out "May 15 of each year" in the first sentence and inserting in lieu thereof "May 31 of each odd-numbered year";

(C) by striking out "first" before "concurrent resolution on the budget" in the first sentence;

(D) by striking out "fiscal year beginning on October 1 of such year" and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year"; and

(E) by striking out "an appropriate" in paragraph (2) and inserting in lieu thereof "a recommended".

(3) Section 301(b) of such Act is amended to read as follows:

"(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget referred to in subsection (a) may also require any other procedure which is considered appropriate to carry out the purposes of this Act.".

(4) Section 301(c) of such Act is amended—

(A) by striking out "March 15 of each year" and inserting in lieu thereof "March 31 of each odd-numbered year"; and

(B) by striking out "fiscal year beginning on October 1 of such year" in paragraph (2) and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year".

(5) Section 301(d) of such Act is amended—

(A) by striking out "first" each place it appears before "concurrent resolution on the budget" in the first and third sentences;

(B) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "two-year fiscal period";

(C) by striking out "April 15 of each year" in the third sentence and inserting in lieu thereof "April 30 of each odd-numbered year";

(D) by striking out "fiscal year beginning on October 1 of such year" in the third sentence and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year";

(E) by striking out "five fiscal" in paragraph (6) and inserting in lieu thereof "six";

(F) by striking out "such fiscal year" in such paragraph and inserting in lieu thereof "the first year in such two-year fiscal period,"; and

(G) by striking out "each fiscal year in such period" and inserting in lieu thereof "each two-year fiscal period in such six-year period".

(6) Section 301(e) of such Act is amended—

(A) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth";

(B) by striking out "first" before "concurrent resolution on the budget" in paragraph (2);

(C) by inserting "referred to in subsection (a)" after "concurrent resolution on the budget" in such paragraph; and

(D) by striking out "fiscal year" in such paragraph and inserting in lieu thereof "two-year fiscal period".

(f) Section 302(c) of such Act is amended by striking out "or 310".

(g)(1) The section heading for section 303 of such Act is amended by striking out "FIRST".

(2) The item relating to section 303 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "First concurrent" and inserting in lieu thereof "Concurrent".

(3) Section 303(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period";

(B) by striking out "first" before "concurrent resolution or the budget" in the matter following paragraph (4);

(C) by inserting "referred to in section 301" after "concurrent resolution on the budget" in the matter following paragraph (4);

(D) by striking out "year" in the matter following paragraph (4) and inserting in lieu thereof "period"; and

(E) by striking out "pursuant to section 301" in the matter following paragraph (4).

(4) Section 303(b) of such Act is amended by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "two-year fiscal period".

(h) Section 304 of such Act is amended—

(1) by striking out "first" before "concurrent resolution on the budget";

(2) by inserting "referred to in section 301" after "concurrent resolution on the budget";

(3) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period";

(4) by striking out "pursuant to section 301" after "has been agreed to"; and

(5) by striking out "most recently agreed to" and inserting in lieu thereof "if the concurrent resolution on the budget making such revisions, and any conference report thereon, is agreed to by a rollcall vote of two-

thirds of the Members of the Senate and the House of Representatives duly chosen and sworn".

(i)(1) Section 305(a)(3) of such Act is amended—

(A) by striking out "first" before "concurrent resolution on the budget";

(B) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget"; and

(C) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(2) Section 305(b) of such Act is amended—

(A) by striking out ", except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours" in paragraph (1);

(B) by striking out "first" before "concurrent resolution on the budget" in paragraph (3);

(C) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget" in such paragraph; and

(D) by striking out "fiscal year" in such paragraph and inserting in lieu thereof "two-year fiscal period".

(j)(1) Section 307 of such Act is amended to read as follows:

"OMNIBUS APPROPRIATION BILL REQUIRED

"SEC. 307. (a) POINT OF ORDER.—Except as provided in subsection (c), it shall not be in order in the House of Representatives or the Senate to consider any bill or resolution providing new budget authority for a two-year fiscal period other than an omnibus appropriation bill.

"(b) DEADLINES.—(1) The Committee on Appropriations of the House of Representatives shall report to the House of Representatives an omnibus appropriation bill for a two-year fiscal period by June 15 of the year preceding the year in which such period begins.

"(2) The House of Representatives shall pass an omnibus appropriation bill for a two-year fiscal period by July 31 of the year preceding the year in which such period begins.

"(3) The Committee on Appropriations of the Senate shall report to the Senate an omnibus appropriation bill for a two-year fiscal period by the seventh day after Labor Day of the year preceding the year in which such period begins.

"(4) The Senate shall pass an omnibus appropriation bill for a two-year fiscal period by September 30 of the year preceding the year in which such period begins.

"(5) Congress shall complete action on an omnibus appropriation bill for a two-year fiscal period by October 15 of the year preceding the year in which such period begins.

"(c) SUPPLEMENTAL APPROPRIATION BILL PERMITTED.—It shall be in order in the House of Representatives or the Senate to consider a supplemental appropriation bill for a two-year fiscal period at any time after the Congress adopts a concurrent resolution on the budget pursuant to section 304 which revises the concurrent resolution on the budget agreed to pursuant to section 301 for such two-year fiscal period, or the most recently agreed to concurrent resolution on the budget for such two-year fiscal period, as the case may be.

"(d) AMENDMENTS.—It shall not be in order in the House of Representatives or the Senate to consider any amendment providing new budget authority for a two-year fiscal period unless such amendment is an amendment to an omnibus appropriation bill or a supplemental appropriation bill.".

(2) The item relating to section 307 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"SEC. 307. Omnibus appropriation bill required.".

(k)(1) Section 308(a) of the Congressional Budget Act of 1974 is amended—

(A) by inserting "to its House an omnibus appropriation bill, a supplemental appropriation bill, or" after "either House reports" in the matter preceding paragraph (1);

(B) by striking out "to its House" after "a bill or resolution" in the matter preceding paragraph (1);

(C) by striking out "new budget authority (other than continuing appropriations) or" before "new or increased tax expenditures" in the matter preceding paragraph (1);

(D) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-year fiscal period";

(E) by striking out "a bill or resolution providing new budget authority" in paragraph (1) and inserting in lieu thereof "an omnibus appropriation bill or a supplemental appropriation bill";

(F) by striking out "or resolution" in paragraph (1)(A);

(G) by striking out "fiscal year" in paragraph (1)(A) and inserting in lieu thereof "two-year fiscal period";

(H) by inserting a comma after "a projection" in paragraph (1)(B);

(I) by striking out "5 fiscal" in paragraph (1)(B) and inserting in lieu thereof "6";

(J) by striking out "such fiscal year" in paragraph (1)(B) and inserting in lieu thereof "the first year in such two-year fiscal period,";

(K) by striking out "or resolution" in paragraph (1)(B);

(L) by striking out "each fiscal year in such period" in paragraph (1)(B) and inserting in lieu thereof "each two-year fiscal period in such 6-year period";

(M) by striking out "or resolution" in paragraph (1)(C);

(N) by striking out "fiscal year" in paragraph (2)(A) and inserting in lieu thereof "two-year fiscal period";

(O) by striking out "such year" in paragraph (2)(A) and inserting in lieu thereof "such period";

(P) by inserting a comma after "a projection" in paragraph (2)(B);

(Q) by striking out "5 fiscal" in paragraph (2)(B) and inserting in lieu thereof "6";

(R) by striking out "such fiscal year" in paragraph (2)(B) and inserting in lieu thereof "the first year in such two-year fiscal period,";

(S) by striking out "each fiscal year in such period" in paragraph (2)(B) and inserting in lieu thereof "each two-year fiscal period in such 6-year period"; and

(T) by striking out "fiscal year" each place it appears in the last sentence and inserting in lieu thereof "two-year fiscal period".

(2) Section 308(b) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period"; and

(B) by striking out "such year" each place it appears and inserting in lieu thereof "such period".

(3) Section 308(c) of such Act is amended—

(A) by striking out "FIVE-YEAR" in the subsection heading and inserting in lieu thereof "SIX-YEAR";

(B) by striking out "each fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "each two-year fiscal period";

(C) by striking out "5 fiscal years beginning with such fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "6 years beginning with the first year in such two-year fiscal period";

(D) by striking out "each fiscal year" each place it appears in paragraphs (1), (2), and (3) and inserting in lieu thereof "each two-year fiscal period"; and

(E) by striking out "such period" each place it appears in paragraphs (1), (2), and (3) and inserting in lieu thereof "such 6-year period".

(l)(1) Section 309 of such Act is amended to read as follows:

"COMPLETION OF ACTION ON BILLS PROVIDING CERTAIN NEW SPENDING AUTHORITY

"SEC. 309. Except as otherwise provided pursuant to this title, not later than September 30 of each odd-numbered year, the Congress shall complete action on all bills and resolutions providing new spending authority described in section 401(c)(2)(C) which is to become effective during the two-year fiscal period beginning on January 1 of the succeeding year.".

(2) The item relating to section 309 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 309. Completion of action on bills providing certain new spending authority.".

(m)(1)(A) The section heading of section 310 of the Congressional Budget Act of 1974 is amended by striking out "SECOND REQUIRED CONCURRENT RESOLUTION AND".

(B) The item relating to section 310 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "Second required concurrent resolution and reconciliation" and inserting in lieu thereof "RECONCILIATION".

(2) Section 310(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out the matter preceding paragraph (1) and inserting in lieu thereof the following:

"SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—At any time after the concurrent resolution on the budget referred to in section 301 for a two-year fiscal period has been agreed to, and before the end of such two-year fiscal period, the Congress may adopt a concurrent resolution for such two-year fiscal period which shall, to the extent necessary—";

(B) by striking out "such fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "such two-year fiscal period"; and

(C) by inserting "or prior two-year fiscal periods, as the case may be" before the semicolon in paragraph (1)(B).

(3) Section 310 of such Act is amended by striking out subsection (b) and by redesignating subsections (c) through (f) as subsections (b) through (e), respectively.

(4) Section 310(c) of such Act (as redesignated by paragraph (3) of this subsection) is amended—

(A) by striking out "subsection (c)" and inserting in lieu thereof "subsection (b)"; and

(B) by striking out "September 25 of each year" and inserting in lieu thereof "60 days after the date on

which the concurrent resolution referred to in subsection (a) is agreed to".

(5) Section 310(d) of such Act (as redesignated by paragraph (3) of this subsection) is amended—

(A) by inserting "concurrent resolutions referred to in subsection (a)," after "consideration in the Senate of" in paragraph (1);

(B) by inserting a comma after "reconciliation bills" in such paragraph; and

(C) by striking out "subsection (c)" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "subsection (b)".

(6) Section 310(e) of such Act (as redesignated by paragraph (3) of this subsection) is amended—

(A) by striking out "the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a" and inserting in lieu thereof "any";

(B) by striking out "is" before "required to be reported"; and

(C) by striking out "subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both" and inserting in lieu thereof "subsection (b) for a two-year fiscal period".

(n)(1) Section 311(a) of such Act is amended—

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(A) by striking out "section 310(a) for a fiscal year" and inserting in lieu thereof "section 301(a) for a two-year fiscal period";

(B) by striking out "section 310(c)" and inserting in lieu thereof "section 310(b)";

(C) by striking out "any bill, resolution, or amendment providing additional new budget authority for such fiscal year," and inserting in lieu thereof "any omnibus appropriation bill or supplemental appropriation bill for a two-year fiscal period or any amendment thereto, any bill or resolution";

(D) by inserting "any bill or resolution" before "reducing revenues"; and

(E) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(2) Section 311 of such Act is further amended—

(A) by redesignating subsection (b) as subsection (c) and in such subsection—

(i) by striking out "subsection (a)" and inserting in lieu thereof "subsections (a) and (b)"; and

(ii) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period"; and

(B) by inserting after subsection (a) the following new subsection:

"(b) Enrollment Prohibited.—No omnibus appropriation bill for a two-year fiscal period, supplemental appropriation bill for such a period, or bill or resolution providing new spending authority described in section 401(c)(2)(C) for such a period shall be enrolled if the amount of new budget authority or new spending authority described in section 401(c)(2)(C) provided in that bill or resolution would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such two-year fiscal period to be exceeded.".

(o)(1) Section 401(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(2) Section 401(b) of such Act is amended—

(A) by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "two-year fiscal period"; and

(B) by striking out "during the calendar year in" in paragraph (1) and inserting in lieu thereof "after the date on".

(p) Section 402(a) of such Act is amended—

(1) by striking out "preceding the beginning of such fiscal year" and inserting in lieu thereof "of the odd-numbered year preceding the year in which such two-year fiscal period begins"; and

(2) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(q) Section 403(a) of such Act is amended—

(1) by striking out "fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year" in paragraph (1) and inserting in lieu thereof "two-year fiscal period in which it is to become effective and in the two succeeding two-year fiscal periods";

(2) by striking out "fiscal year" the first place it appears in paragraph (2) and inserting in lieu thereof "two-year fiscal period"; and

(3) by striking out "four fiscal years following such fiscal year" in such paragraph and inserting in lieu thereof "two succeeding two-year fiscal periods".

(r)(1) Section 605(a) of such Act is amended—

(A) by striking out "On or before November 10 of each year (beginning with 1975)," in the first sentence and inserting in lieu thereof "At the time the President submits the Budget for a two-year fiscal period under section 201(a) of the Budget and Accounting Act,

1921 (beginning with the Budget submitted for the two-year fiscal period beginning on January 1, 1984),";

(B) by inserting "a statement of" before "the estimated outlays" in the first sentence;

(C) by striking out "the Budget to be submitted pursuant to section 201 of the Budget and Accounting Act, 1921, for the ensuing fiscal year" in the first sentence and inserting in lieu thereof "such Budget for such two-year fiscal period";

(D) by striking out "ensuing fiscal year" in the first sentence and inserting in lieu thereof "two-year fiscal period";

(E) by inserting "or the two-year fiscal period in progress, as the case may be," before "and without policy changes" in the first sentence;

(F) by inserting "statement of" before "estimated outlays and proposed budget authority" in the second sentence;

(G) by striking out "these estimates" in the third sentence and inserting in lieu thereof "such statement"; and

(H) by inserting "included in such statement" after "estimated outlays and proposed budget authority" in the third sentence.

(2) Section 605(b) of such Act is amended—

(A) by inserting "statement of" before "estimated outlays and proposed budget authority"; and

(B) by striking out "December 31 of each year" and inserting in lieu thereof "March 31 of each odd-numbered year".

(s)(1) Section 607 of such Act is amended—

(A) by striking out "fiscal year (beginning with the fiscal year commencing October 1, 1976)" and inserting in lieu thereof "two-year fiscal period (beginning with the two-year fiscal period commencing January 1, 1984)";

(B) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period";

(C) by striking out "May 15 of the year" and inserting in lieu thereof "May 15 of the even-numbered year"; and

(D) by striking out "fiscal years" and inserting in lieu thereof "two-year fiscal periods".

(2) The section heading for section 607 of such Act is amended by striking out "YEAR-AHEAD" and inserting in lieu thereof "ADVANCE".

(3) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is

amended by striking out "Year-ahead" and inserting in lieu thereof "Advance".

(t) Section 904(b) of the Congressional Budget Act of 1974 is amended by striking out "title III or IV" and inserting in lieu thereof "title III (except section 304 or section 311(b)) or title IV".

(u)(1) Section 1012(a) of the Impoundment Control Act of 1974 is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(2) The last sentence of section 1013(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(3) Section 1014(e) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(v) Paragraph 8(b) of rule XXVI of the Standing Rules of the Senate is amended by striking out "March 31" and inserting in lieu thereof "January 2".

(w)(1) Clause 1(b)(4) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(2) Clause 4(a)(1)(A) of rule X of the Rules of the House of Representatives is amended by inserting "odd-numbered" after "each".

(3) Clause 4(a)(2) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(4) Clause 4(b)(2) of rule X of the Rules of the House of Representatives is amended—

(A) by striking out "first"; and

(B) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(5) Clause 4(f) of rule X of the Rules of the House of Representatives is amended by striking out "annually" each place it appears and inserting in lieu thereof "biennially".

(6) Clause 4(g) of rule X of the Rules of the House of Representatives is amended—

(A) by striking out "March 15 of each year" and inserting in lieu thereof "March 31 of each odd-numbered year"; and

(B) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(7) Clause 4(h) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(8) Clause 2(l)(1)(C) of rule XI of the Rules of the House of Representatives is repealed.

(9) Clause 4(a) of rule XI of the Rules of the House of Representatives is amended by striking out "on general appropriations bills and on joint resolutions continuing appropriations for a fiscal year if reported after September 15 preceding the beginning of such fiscal year" and inserting in lieu thereof "on omnibus appropriation bills and supplemental appropriation bills".

(10) Clause 1 of rule XLIX of the Rules of the House of Representatives is amended—

(A) by striking out the comma after "301" and inserting in lieu thereof "or"; and

(B) by striking out ", or 310".

(11) Clause 2 of rule XLIX of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

SUBMISSION OF PRESIDENT'S BUDGET

SEC. 4. (a) Section 2 of the Budget and Accounting Act, 1921 (31 U.S.C. 2) is amended by adding at the end thereof the following new item:

"The term 'two-year fiscal period' shall have the meaning given to such term in paragraph (6) of section 3 of the Congressional Budget Act of 1974.".

(b)(1) Section 201(a) of such Act is amended—

(A) by striking out "each regular session" in the matter preceding paragraph (1) and inserting in lieu thereof "the first regular session of each Congress";

(B) by inserting "for the two-year fiscal period beginning on January 1 of the succeeding year" after "the Budget" in the matter preceding paragraph (1);

(C) by striking out "fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" in paragraph (5) and inserting in lieu thereof "two-year fiscal period and projections for the first two two-year fiscal periods immediately following such two-year fiscal period";

(D) by striking out "each year" in paragraph (5) and inserting in lieu thereof "each even-numbered year";

(E) by striking out "fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" in paragraph (6) and inserting in lieu thereof "two-year fiscal period and projections for the first two two-year fiscal periods immediately following such two-year fiscal period";

(F) by inserting "or the last completed two-year fiscal period, as the case may be" before the semicolon in paragraph (7);

(G) by inserting "or the two-year fiscal period in progress, as the case may be" before the semicolon in paragraph (8);

(H) by inserting "or the last completed two-year fiscal period, as the case may be" after "last completed fiscal year" in clause (1) of paragraph (9);

(I) by inserting "or at the end of the two-year fiscal period in progress, as the case may be" after "the fiscal year in progress" in clause (2) of paragraph (9);

(J) by striking out "ensuing fiscal year" in clause (3) of paragraph (9) and inserting in lieu thereof "ensuing two-year fiscal period";

(K) by striking out "fiscal year" in subparagraph (A) of paragraph (12) and inserting in lieu thereof "two-year fiscal period";

(L) by striking out "four fiscal years, immediately following that ensuing fiscal year" in subparagraph (B) of paragraph (12) and inserting in lieu thereof "first two two-year fiscal periods following such two-year fiscal period"; and

(M) by striking out "fiscal year" each place it appears in paragraph (13) and inserting in lieu thereof "two-year fiscal period".

(2) Section 201(b) of such Act is amended—

(A) by striking out "July 15 of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "July 15 of each odd-numbered year";

(B) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-year fiscal period"; and

(C) by striking out "fiscal year" each place it appears in paragraphs (1) and (3) and inserting in lieu thereof "two-year fiscal period".

(3) Section 201(c) of such Act is amended—

(A) by striking out "July 15 of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "July 15 of each odd-numbered year";

(B) by striking out "four fiscal years following the ensuing fiscal year" in paragraph (1) and inserting in lieu thereof "two two-year fiscal periods following the ensuing two-year fiscal period"; and

(C) by striking out "fiscal years following such ensuing fiscal year" in paragraph (2) and inserting in lieu thereof "two-year fiscal periods following such ensuing two-year fiscal period".

(4) Section 201(d) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(5) Section 201(e) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(6) Section 201(f) of such Act is amended—

(A) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-year fiscal period";

(B) by inserting "or the last completed two-year fiscal period, as the case may be" after "last completed fiscal year" in paragraph (1);

(C) by inserting "or two-year fiscal period, as the case may be" before the semicolon in such paragraph;

(D) by inserting "or the last completed two-year fiscal period, as the case may be" after "last completed fiscal year" in paragraph (2);

(E) by inserting "or such period, as the case may be" after "received during such year" in such paragraph;

(F) by inserting "or such period, as the case may be," before the semicolon in such paragraph;

(G) by inserting "or such two-year fiscal period, as the case may be," after "such fiscal year" the first place it appears in paragraph (3); and

(H) by inserting "or such two-year fiscal period as the case may be" before the period in such paragraph.

(7) Section 201(g) of such Act is amended—

(A) by inserting "(1)" before "The" in the first sentence;

(B) by striking out "April 10 and July 15 of each year" in the first sentence and inserting in lieu thereof "July 15 of each odd-numbered year";

(C) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "two-year fiscal period";

(D) by striking out "transmitted on or before July 15 of any year" in the third sentence and inserting in lieu thereof "required under this subsection";

(E) by striking out "any fiscal year" in the last sentence and inserting in lieu thereof "any two-year fiscal period";

(F) by inserting "or the two-year fiscal period, as the case may be," before "in progress" in the last sentence; and

(G) by inserting after paragraph (1) (as redesignated by paragraph (1) of this subsection) the following new paragraph:

"(2) On January 15 and July 15 of each even-numbered year, the President shall submit to the Congress a revision of the statement required by paragraph (1) with respect to the fiscal year in progress.".

(8) Section 201(h) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(9) Section 201(i) of such Act is amended by striking out "fiscal year, beginning with the fiscal year ending September 30, 1979," and inserting in lieu thereof "two-year fiscal period, beginning with the two-year fiscal period ending December 31, 1985,".

(10) Section 201 of such Act is further amended by adding at the end thereof the following new subsection:

"(k) Notwithstanding any other provision of law, the President shall include in the Budget submitted under subsection (a) proposed budget authority, direct loans, and commitments to guarantee loan principal, and estimates of outlays and receipts for all activities of all departments, establishments, and instrumentalities of the Federal Government, except Government-sponsored corporations to the extent financed by wholly private funds.".

(c) Section 202 of such Act (31 U.S.C. 13) is amended—

(1) by striking out "ensuing fiscal year" each place it appears and inserting in lieu thereof "ensuing two-year fiscal period"; and

(2) by inserting "or the two-year fiscal period in progress, as the case may be," after "progress,".

(d) Section 203 of such Act (31 U.S.C. 14) is amended by striking out "or deficiency" each place it appears.

(e) Section 204(b) of such Act (31 U.S.C. 581(b)) is amended by striking out "or deficiency".

(f) Section 207 of such Act (31 U.S.C. 16) is amended by striking out "or deficiency".

(g) Section 214 of such Act (31 U.S.C. 22) is amended—

(1) by striking out "in each year" and inserting in lieu thereof "for each two-year fiscal period";

(2) by striking out the comma after "regular" and inserting in lieu thereof "or"; and

(3) by striking out ", or deficiency".

(h) Section 216(a) of such Act (31 U.S.C. 24(a)) is amended—

(1) by striking out the comma after "regular" and inserting in lieu thereof "or"; and

(2) by striking out ", or deficiency".

(i) Section 304 of the Department of Commerce Appropriation Act, 1963 (31 U.S.C. 25) is amended by striking out "fiscal year 1964 and each succeeding year" and inserting in lieu thereof "the two-year fiscal period beginning on January 1, 1984, and each succeeding two-year fiscal period".

(j) Section 102 of the District of Columbia Revenue Act of 1970 (31 U.S.C. 26) is amended—

(1) by striking out the comma after "regular" and inserting in lieu thereof "and"; and

(2) by striking out ", and deficiency".

(k) Section 318(a) of the Department of Transportation and Related Agencies Appropriation Act, 1982 (31 U.S.C. 28(a)) is amended by striking out "annually" and inserting in lieu thereof "biennially".

(l) Section 3670 of the Revised Statutes (31 U.S.C. 624) is amended—

(1) by striking out "annual";

(2) by inserting "for a two-year fiscal period" after "service" the first place it appears; and

(3) by striking out "year" and inserting in lieu thereof "period".

CONVERSION TO BIENNIAL FISCAL PERIOD

SEC. 5. (a)(1) Section 237(a) of the Revised Statutes (31 U.S.C. 1020(a)) is amended to read as follows:

"(a) In all matters of accounts, receipts, expenditures, estimates, and appropriations—

"(1) there shall be, through September 30, 1983, a fiscal year of the United States commencing on October 1 of each year and ending on September 30 of the following year; and

"(2) there shall be, beginning on January 1, 1984, a two-year fiscal period of the United States be-

ginning on January 1 of each even-numbered year and ending on December 31 of the succeeding odd-numbered year.".

(2) Section 237(b) of the Revised Statutes (31 U.S.C. 1020(b)) is amended by inserting "or each two-year fiscal period, as the case may be," after "fiscal year".

(b) Section 504 of the Congressional Budget Act of 1974 (31 U.S.C. 1020a) is amended—

(1) by striking out "thereafter" in the third sentence and inserting in lieu thereof "through the fiscal year 1984"; and

(2) by adding at the end thereof: "Any law providing for an authorization of appropriations for the fiscal year 1984 or any fiscal year thereafter shall be construed as referring to the one-year period—

(A) which is within a two-year fiscal period; and

(B) which begins on January 1 of the calendar year having the same calendar year number as such fiscal year number and ending on December 31 of such calendar year.".

(c) Section 118(b)(2) of the Second Supplemental Appropriations Act, 1976 (31 U.S.C. 1020–1) is amended to read as follows:

"(2) Effective January 1, 1984, any provision of law with respect to the Senate which contains an October 1 date which relates to the beginning of a fiscal year shall be treated as referring to January 1 of the succeeding calendar year within a two-year fiscal period, and any provision of law with respect to the Senate which contains a September 30 date which relates to the end of a fiscal year shall be treated as referring to December 31 of the same calendar year within a two-year fiscal period.".

(d)(1) Section 105 of title 1, United States Code, is amended—

(A) by striking out "year ending September 30" and inserting in lieu thereof "two-year fiscal period ending December 31"; and

(B) by striking out "calendar year" and inserting in lieu thereof "odd-numbered year in which the two-year fiscal period ends".

(2) The provisions of paragraph (1) of this subsection shall be effective with respect to Acts making appropriations for the support of the Government for any two-year fiscal period commencing on or after January 1, 1984.

(e) As soon as practicable, the President shall prepare and submit to the Congress—

(1) after consultation with the Committees on Appropriations of the House of Representatives and the

Senate, budget estimates for the United States Government for the period commencing October 1, 1983, and ending on December 31, 1983, in such form and detail as he may determine; and

(2) proposed legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for that period.

(f) The Director of the Office of Management and Budget shall provide by regulation, order, or otherwise for the orderly transition by all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new two-year fiscal period prescribed by section 237(a)(2) of the Revised Statutes. The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

ACCOUNTING PROCEDURES

SEC. 6. (a) Subsection (a) of section 3 of the Act entitled "An Act to authorize the collection of indebtedness of military and civilian personnel resulting from erroneous payments, and for other purposes", approved July 15, 1954 (31 U.S.C. 581d), is amended by striking out "fiscal year" each

place it appears and inserting in lieu thereof "two-year fiscal period".

(b) The first section of Public Law 89–473 (31 U.S.C. 628a) is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(c) Section 40 of the Act of August 10, 1956 (70A Stat. 636, chapter 1041; 31 U.S.C. 649c), is amended by striking out "period of two successive fiscal years" and inserting in lieu thereof "two-year fiscal period".

(d) Section 1 of the Act entitled "An Act making appropriations for the support of the Army for the fiscal year ending June thirtieth, nineteen hundred and sixteen", approved March 4, 1915 (38 Stat. 1079; 31 U.S.C. 654), is amended by striking out "years" and inserting in lieu thereof "two-year fiscal periods".

(e) Section 3679 of the Revised Statutes (31 U.S.C. 665) is amended—

(1) by striking out "deficiency or" in paragraph (1) of subsection (c);

(2) by striking out "fiscal year" each place it appears in subsection (d) and inserting in lieu thereof "two-year fiscal period"; and

(3) by striking out "deficiency or" each place it appears in subsection (e).

(f) Section 210 of the General Government Matters Appropriation Act, 1958 (31 U.S.C. 665a) is amended by striking out "or deficiency".

(g) The Act entitled "An Act to simplify accounting", approved April 27, 1937 (31 U.S.C. 668a), is amended by inserting ", two-year fiscal period," after "year".

(h) Section 6 of the Act of August 23, 1912 (37 Stat. 414, chapter 350; 31 U.S.C. 669), is amended—

(1) by striking out "fiscal year" each place it occurs and inserting in lieu thereof "two-year fiscal period"; and

(2) by striking out "year" each place it occurs and inserting in lieu thereof "period".

(i)(1) Subsection (b)(1) of the first section of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956, as amended (31 U.S.C. 701), is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by inserting "and ending before October 1, 1983," after "October 1, 1976," in subparagraph (B);

(C) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following new subparagraph:

"(C) for the period commencing on October 1, 1983, and ending on December 31, 1983, and for any two-year fiscal period commencing on or after January 1, 1984, on December 31 of the two-year fiscal period following that period or the two-year fiscal period or periods, as the case may be, for which the appropriation is available for obligation.".

(2) Subsection (b)(2) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by inserting "and ending before October 1, 1983," after "October 1, 1976," in subparagraph (B);

(C) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following:

"(C) for the period commencing on October 1, 1983, and ending on December 31, 1983, and for any two-year fiscal period commencing on or after January 1, 1984, not later than November 15 of the year following such period or November 15 of the first even-numbered year following the end of such two-year

fiscal period, as the case may be, in which the period of availability for obligation expires.".

(j) Subsection (a) of section 3 of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956 (31 U.S.C. 703), is amended—

(1) by striking out "fiscal" each place it appears; and

(2) by striking out "September 30" each place it appears and inserting in lieu thereof "December 31".

(k) Section 5 of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956 (31 U.S.C. 705), is amended—

(1) by striking out "second full fiscal year" and inserting in lieu thereof "two-year fiscal period"; and

(2) by striking out "fiscal year or years" and inserting in lieu thereof "two-year fiscal period or periods".

(l) Section 6 of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956 (31 U.S.C. 706), is amended by striking out "two full consecutive fiscal years" and inserting in lieu thereof "a full two-year fiscal period".

(m) The first section of the Surplus Fund-Certified Claims Act of 1949 (31 U.S.C. 712a) is amended—

(1) by inserting "(a)" after "That";

(2) by striking out "the annual appropriation bills" and inserting in lieu thereof "an omnibus appropriation bill";

(3) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period";

(4) by striking out "year" each place it appears and inserting in lieu thereof "period"; and

(5) by adding at the end thereof the following new subsection:

"(b) For purposes of this section—

"(1) The term 'omnibus appropriation bill' has the meaning given to such term in section 3(7) of the Congressional Budget Act of 1974.

"(2) The term 'two-year fiscal period' has the meaning given to such term in section 3(6) of the Congressional Budget Act of 1974.".

(n) Section 7 of the Act of August 24, 1912 (37 Stat. 487, chapter 355; 31 U.S.C. 718), is amended—

(1) by striking out "regular annual"; and

(2) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(o) Section 1415 of the Supplemental Appropriation Act, 1953 (31 U.S.C. 724), is amended by striking out "annually" and inserting in lieu thereof "biennially".

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 7. (a) Section 2(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725a(a)), is amended—

(1) by striking out "Effective July 1, 1935, the" and inserting in lieu thereof "The"; and

(2) by striking out "annual" and inserting in lieu thereof "biennial".

(b) Section 4 of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725c), is amended—

(1) by striking out "Effective July 1, 1935, all" and inserting in lieu thereof "All";

(2) by striking out "annually" and inserting in lieu thereof "biennially";

(3) by striking out "one fiscal year" and inserting in lieu thereof "two-year fiscal period"; and

(4) by striking out "following fiscal year" and inserting in lieu thereof "following two-year fiscal period".

(c) Section 9 of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725h), is amended by striking out "fiscal year 1936 annual" and inserting in lieu thereof "two-year fiscal period beginning on January 1, 1984, biennial".

(d) Section 11 of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725j), is amended—

(1) by striking out "fiscal year 1936" and inserting in lieu thereof "two-year fiscal period beginning on January 1, 1984,"; and

(2) by striking out "annually" and inserting in lieu thereof "biennially".

(e) Section 17(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725p(a)), is amended—

(1) by striking out "Effective July 1, 1935, the" and inserting in lieu thereof "The";

(2) by striking out "annually" and inserting in lieu thereof "biennially"; and

(3) by striking out "annual" and inserting in lieu thereof "biennial".

(f) Section 18(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725q(a)), is amended by striking out "annual" and inserting in lieu thereof "biennial".

(g) Section 20(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725s(a)), is amended—

(1) by striking out ", effective July 1, 1935,";

(2) by striking out "annually" and inserting in lieu thereof "biennially"; and

(3) by striking out "September 30" and inserting in lieu thereof "December 31".

(h) Section 3 of the Act of August 7, 1946 (60 Stat. 895, chapter 802; 31 U.S.C. 725s–3), is amended—

(1) by striking out "August 7, 1946" and inserting in lieu thereof "December 31, 1983"; and

(2) by striking out "annually" and inserting in lieu thereof "biennially".

(i) Section 257 of the Revised Statutes (31 U.S.C. 1027) is amended by inserting "or the two-year fiscal period, as the case may be," after "fiscal year".

(j) Section 15 of the Act of July 31, 1894 (28 Stat. 210, chapter 174; 31 U.S.C. 1029), is amended by inserting "or the last preceding two-year fiscal period, as the case may be," after "fiscal year".

(k) The first section of the Act of February 26, 1907 (34 Stat. 949, chapter 1635; 31 U.S.C. 1030), is amended—

(1) by striking out "fiscal year current" and inserting in lieu thereof "current two-year fiscal period";

(2) by striking out "fiscal year next ensuing" and inserting in lieu thereof "ensuing two-year fiscal period"; and

(3) by inserting "or preceding completed two-year fiscal period, as the case may be" after "preceding completed fiscal year".

EFFECTIVE DATE

SEC. 8. The provisions of this Act and the amendments made by this Act shall take effect on the first day of the Ninety-eighth Congress, except that the amendments made by sections 3(u), 6, and 7 of this Act shall take effect on January 1, 1984.

FISCAL YEAR 1983

SEC. 9. Notwithstanding the provisions of sections 3, 4, 5, 6, 7, and 8 of this Act and the amendments made by such sections—

(1) the provisions of the Congressional Budget and Impoundment Control Act of 1974 (as such provisions were in effect on the day before the effective date of this Act) shall apply with respect to concurrent resolutions on the budget for such fiscal year, bills and resolutions providing new budget authority or new spending authority for such fiscal year, bills and resolutions authorizing the enactment of new budget authority for such fiscal year, the rescission and deferral of budget authority for such fiscal year, and the responsibilities of the Director of the Congressional Budget Office for such fiscal year; and

(2) the provisions of the Impoundment Control Act of 1974 (as such provisions were in effect on the day before the effective date of this Act) shall apply to

the rescission and deferral of budget authority for the period beginning on October 1, 1983, and ending on December 31, 1983.

O